



UTC

Washington Utilities
and Transportation
Commission

REVISING WASHINGTON'S UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM

Preliminary Report

Dec. 31, 2018

Table of Contents

I.	Introduction.....	3
II.	Current Federal and State Support Programs For Communications and Broadband Services	4
III.	UCS Program Framework to Enhance Broadband.....	7
IV.	Conclusion	10
	Attachment A: Overview of Federal and State Broadband Support Programs.....	11
	Attachment B: State UCS Program Compliance Filings—Use of Funds	15

The Utilities and Transportation Commission submits the following preliminary report on a framework for revising the Washington Universal Communications Services Program (UCS program) and recommendations concerning general broadband funding issues. The commission prepared the preliminary report as required by the 2018 Supplemental Operating Budget, ESSB 6032, Section 141(5), which states:

The commission must begin a long-term study on the universal service program to the appropriate committees of the Legislature on the need for future program funding and recommendations on potential funding mechanisms to improve the availability of communications services, including broadband service, in unserved and underserved areas. A preliminary report providing a framework for how the commission will approach the study is due January 1, 2019.

I. Introduction

“Universal service” is the term historically used to describe government efforts to ensure all citizens have access to telephone service regardless of location. In the age of the internet, digital technology, and cloud computing, policymakers have shifted their focus from supporting traditional phone service (voice service) to universal broadband service to combat the “digital divide.” The UCS program is one of many state and federal efforts to address universal service and, increasingly, universal broadband service.

Over the past five years, the commission has administered the UCS program pursuant to RCW 80.36.630 – 80.36.700. The UCS program was initially conceived as a temporary support mechanism for the provision of local telephone service by small incumbent communications service providers in Washington. The commission has awarded approximately \$18.2 million in UCS program support to those companies according to specific eligibility and funding rules established by the commission. There have been a number of legislative proposals to extend the duration of the program following its implementation in 2014, and it is likely there will be a renewed effort to extend the program during the 2019 legislative session.

As the commission processes applications for funding in the final year of the UCS program, the 2018 supplemental budget proviso directs the commission to begin a study on the program, including an assessment of the need for continued funding. The proviso also requires the commission to provide recommendations on appropriate means to improve the availability of communications services, including broadband service, in unserved and underserved areas of Washington.

As discussed in Sections II and III below, the commission believes the complexities of expanding broadband services to unserved and underserved areas of Washington, coupled with

the composition of existing federal and state support programs for broadband services, requires a more holistic approach to state-funded efforts to address the digital divide. Specifically, the commission supports efforts to create a state broadband office and a new state funding program that relies on competitively neutral means of allocating state funds.

With respect to the UCS program administered by the commission, if legislation is adopted in the 2019 session to extend the current UCS program for more than a one- or two-year period, the commission would immediately open a rulemaking to revamp its rules currently governing distribution of support to the small telephone companies.¹ In particular, the commission would focus its rulemaking on revisions to rules regarding carrier eligibility by including support for broadband services, establishing service performance and buildout requirements, adopting targeted network expansion and support objectives, and implementing more efficient means of distributing support to eligible carriers. Collectively, rule changes would be designed to ensure Washington realizes more value-added effectiveness in allocating precious state resources towards broadband availability.

II. Current Federal and State Support Programs For Communications and Broadband Services

A variety of providers offer broadband services across Washington: incumbent telephone companies, cable companies, fixed and mobile wireless companies, public utility districts (wholesale), and satellite companies. These providers compete by offering a range of broadband services to consumers depending on an area's economic conditions, such as population density, topography, and a company's access to rights of way and utility poles, among other factors. However, the same factors that enable the providers' broadband services in some areas, are limiting factors for delivery of the same services in other areas. But for federal and state support programs, the scope and range of availability for some of these providers would be materially diminished.

Across the United States and in Washington, a number of federal and state programs provide financial support to providers and end-users of communications and broadband services. At the federal level, wireline and wireless-based providers receive funding from a number of government programs intended to spur broadband investment in unserved and underserved areas of the nation. These programs reflect a variety of efforts (direct grants, loans, and reverse auctions) to support the extension and enhancement of traditional telephone service infrastructure of the nation's incumbent telephone companies as well as to spur broadband investment by other wireline and wireless providers into rural and high-cost areas of the nation.

The federal programs are supplemented by two state-level programs in Washington. These are the UCS program and the Rural Broadband Infrastructure Program operated by the

¹ WAC 480-123.

Community Economic Revitalization Board (CERB). Attachment A provides a brief overview of the primary federal and state broadband support programs, including a description of the entities generally eligible for funding and the intended use of proceeds.

Collectively, the federal and state programs discussed in Attachment A provide substantial financial support for existing and prospective broadband service providers to maintain and extend service availability. Each program differs materially with respect to provider eligibility, manners of support, definitions of supported service, designations of supported areas, service characteristics, and funding requirements.

The programs also use a variety of means to determine funding levels and conditions for support. Some are loan and grant programs tailored to particular groups of carriers or technologies that also reflect existing providers' legacy positions in the telecommunications and broadband marketplace. Under these programs, specific entities and their services are eligible for public funding by definition. Other programs distribute support in a more neutral fashion, using competitive principles and processes to award financial support more equitably among varying providers (competitive grant programs or auctions) that use a range of technologies and service options in the provision of broadband service. Regardless of method, all of the programs are well-intentioned efforts to expand and sustain the provision of broadband service in challenging economic, demographic, and geographic conditions.

As state policymakers acknowledge, Washington lacks a comprehensive means to capture, measure, and coordinate the state's involvement with varying broadband support programs and providers. Despite current federal and state support programs, broadband coverage in certain areas of the state is spotty or non-existent. Some communities lack coverage from any broadband provider, while other areas have pockets of availability adjacent to areas of unavailability for the unfortunate residences and businesses located beyond the reach of existing network facilities.

To some degree, spotty coverage is directly attributable to disparate approaches in federal subsidy funding historically available to the incumbent telephone (and broadband) providers serving such areas.

One of the largest federal broadband support programs is the Federal Communications Commission's (FCC) Connect America Fund (CAF) program. The CAF program provides, to varying degree, substantial financial assistance to incumbent telephone carriers, including CenturyLink, Frontier, and virtually all members of the Washington Independent Telecommunications Association. The FCC allocates CAF funding according to federally-derived assessments of broadband availability and competitive circumstances on a census-block by census-block basis.² The assessments use data supplied bi-annually by broadband carriers,

² The FCC requires broadband providers to submit detailed broadband availability information every six months using FCC Form 477. The FCC aggregates the information submitted by reporting carriers to determine the availability of broadband service on a granular basis and uses this information to determine broadband coverage, and

which are obligated under current FCC data collection and reporting rules to report such information.

Although the CAF program is a diligent and conscientious effort by the FCC to target federal broadband support for network expansion where it is most needed, the test used to determine census block eligibility for CAF funding is based on the presence of one or more competitive broadband providers. This test creates pockets of ineligibility in areas where even a small or immaterial presence by a competitor in just a portion of a census block taints availability for the entire area. This federal funding anomaly is particularly acute in large rural census blocks. The commission is aware of numerous areas in Washington where CAF support funding should be available but the competitive presence of alternative providers, however minor, effectively prohibits availability and use of federal CAF support funding by an experienced carrier to the detriment of unserved consumers in the immediate area.³

Other federal programs are more generally available to broadband providers. However, the degree to which providers in Washington avail themselves of these programs, or the degree to which Washington reasonably maximizes funding from them, is uncertain.

The commission supports renewed legislative efforts to establish a holistic state-level approach to support the expansion of broadband service in unserved and underserved areas of Washington. These funding disparities and the particulars of diverging federal and state programs require state-level attention so that resources can be more effectively coordinated on behalf of all broadband consumers.

the presence of unsubsidized carriers (e.g., cable companies, wireless providers, wireless ISPs, or satellite providers).

³ A prime example of this funding anomaly is an area known as Martin's Bluff, an area of approximately 31 households a few miles north of Kalama, Washington, and east of Interstate 5. Two incumbent telephone companies, Frontier Communications (Frontier) and Kalama Telephone Company (Kalama), provide traditional residential phone service and some broadband services in or around the area. The customers in the Martin's Bluff area have residential telephone service from Frontier, but the company is not able to extend broadband coverage to the area due to the economic cost of upgrading existing facilities to enable broadband. Although Frontier receives FCC CAF support for broadband service in other areas of Washington, the company recently indicated that the Martin's Bluff area does not qualify for federal support from the CAF program. Frontier also does not qualify for state UCS program support because it is not a small telephone company and current UCS program funding is not currently available for broadband buildout. Frontier estimates the cost to extend broadband service to the Martin's Bluff area would be approximately \$250,000 based on building fiber optic facilities from the Woodland area.

A transfer of the service area from Frontier to Kalama, including the facilities presently used by Frontier to provide telephone service, is a possible solution, but Kalama indicated it too would have difficulty extending broadband service to the Martin's Bluff area. Kalama indicated it would not be interested in utilizing Frontier's facilities because they are copper-based and unsuitable for broadband deployment purposes. Kalama indicated the cost of placing its own fiber optic facilities would be approximately \$250,000 to \$300,000, which, like Frontier, is uneconomic absent an external source of funding. Both companies indicated that a state broadband grant program would enable existing carriers to fill in broadband coverage gaps like the customers in the Martin's Bluff area.

III. UCS Program Framework to Enhance Broadband

The UCS program was never intended to insulate small telephone companies from all aspects of a changing telecommunications marketplace or from federal changes to rural incumbent telephone company support. Nor was the program directly intended to support broadband service or the extension of facilities to expand broadband coverage. Rather, the program was created to provide targeted funding to the state's smallest telephone companies to provide a moderate glide path to adjust for FCC-mandated changes in federal financial support that had historically been provided to small carriers. The UCS program also addressed the elimination of an antiquated state support mechanism that was associated with declining long-distance service revenues and inter-carrier compensation.

The commission's rules governing the UCS program require the small telephone companies seeking support to submit to an application and follow an annual approval process in which the companies must demonstrate financial need, comply with certain telephone service pricing requirements, and provide substantive documentation regarding use of UCS program funding in prior funding periods. Of particular note is WAC 480-123-130, which requires petitioning carriers to document and provide detailed information on how they used program support during the preceding year of funding, including material capital network expenditures and any operational and efficiency changes that justify the use of past support.

As the commission noted in its Dec. 1, 2017, Report on the State Universal Communications Services Program to the Legislature, small telecommunications carriers participating in the UCS Program have invested in fiber optic facilities for the continued provision of telephone and broadband services. Investments have also included enhanced exchange line circuit equipment to increase broadband speeds and growth capacity. Other network investments include new switching equipment, installation of backup power and battery facilities, and installation of speed-boosting subscriber cabinets throughout service territories.⁴ Although not necessarily intended, the UCS program has supported the provision of broadband service in the small telephone companies' service areas given the fact that material portions of the facilities utilized by these carriers are common to the provision of telephone and broadband service.

Anticipating that any effort to extend the current UCS program over an additional period of time and potentially shift funding directly to broadband service, and to facilitate the Legislature's understanding of the utilization of UCS program funding historically, the commission provides Attachment B for a detailed overview of each carrier's self-reported use of

⁴ Washington Utilities and Transportation Commission - Report on the State Universal Communications Services Program, December 1, 2017, pages 14-15.

UCS program support over the past four years.⁵ The commission also offers the following recommendations:

1. Modernizing the UCS Program

As noted previously, the current UCS program administered by the commission targets support solely to small incumbent telephone companies for their continued provision of affordable voice service. As currently structured, the UCS program is a grant program to a specific group of carriers defined in statute. Specifically, RCW 80.36.650 sets forth the eligibility criteria the commission must use in awarding program funding including whether:

[t]he communications provider is: (i) An incumbent local exchange carrier serving fewer than forty thousand access lines in the state; or (ii) a radio communications service company providing wireless two-way voice communications service to less than the equivalent of forty thousand access lines in the state.

The preeminent questions going forward are the degree to which an extended UCS program should be revamped to expand the eligible base of potential recipients of state broadband funding and how funding can include support for legacy voice telephone services as well as broadband service.

While not the always the case, available funding at the federal level is increasingly disbursed according to more competitively-neutral eligibility criteria that no longer favor certain categories of carriers based on their legacy position in the telecommunications marketplace. Additionally, funding is also increasingly agnostic with respect to the type of technology employed by carriers that seek federal support. In doing so, federal policymakers are using more effective tools to maximize allocative efficiency and increase consumer welfare in awarding public funding for broadband services. Competitive assessments of grant and loan applications, or employment of reverse auctions, have become the preferred means to ensure the widest deployment of broadband service and enhance broadband availability in low-density, high-cost areas of the country.

If the UCS program is extended beyond its anticipated termination in mid-2019, the commission recommends that any legislation contain provisions to expand the focus of funding from traditional voice service to broadband service. In doing so, the commission would need to begin a rulemaking in 2019 to materially revise the current eligibility and disbursement criteria. Specifically, the commission would use a rulemaking to consider:

1. Revamping the current method used to determine funding levels for USC program recipients,

⁵ Attachment B summarizes the reported uses of UCS Program support over the past four years by each eligible carrier.

2. Revising or eliminating carrier-specific earnings tests used to determine eligibility in favor of service area funding, that may include incentives for expanding services, particularly broadband network services and facilities, to unserved or underserved areas of eligible carriers,
3. Modifying funding from simple subsidization of providers based on their continued provision of legacy telephone service to funding for both legacy service and broadband buildout with potential deployment or service performance conditions,
4. Reducing or eliminating carrier-of-last-resort obligations for legacy telephone services in areas where substantial competitive substitutes exist,
5. Harmonizing existing federal broadband subsidization programs with UCS program funding to increase effectiveness in expanding service availability,
6. Identifying and incorporating efficiency incentives and broadband service performance and deployment objectives into funding criteria used to make distributions,
7. Broadening the scope of eligible recipients, over the long term, subject to financial, technical, and service area qualification criteria,
8. Segmenting a portion of available program funds to be available on a more competitively neutral basis (such as a competitive grant program), and
9. Addressing any other broadband funding issues or suggestions raised by stakeholders during the rulemaking process.

If legislation is enacted during the 2019 legislative session, the commission would notice and convene a stakeholder workshop to launch a UCS program rulemaking no later than 90 days following the effective date of such legislation.

2. Establishing a State Broadband Office

The commission supports ongoing efforts to establish a state broadband office as a means to centralize, coordinate, and consult with stakeholders on state participation in or shaping of federal and state broadband support programs. A state broadband office would serve as the principal clearinghouse for (1) tracking and assessing the effectiveness of existing support programs, (2) developing and coordinating appropriate advocacy on beneficial changes to federal support programs, (3) coordinating with other state agencies, including the commission, on broadband issues, and (4) administering a state grant and loan program on a competitively neutral basis to ensure that private and public entities will extend service to unserved and underserved areas.

IV. Conclusion

At its most basic level, broadband access and internet service has become essential to the livelihood, welfare, and vibrancy of residents and businesses across the state. As the current UCS program nears the end of its current term, the commission believes that any extension of the program should enable comprehensive reforms to increase carrier accountability and efficiency and encourage targeted investment in broadband infrastructure.

If the Legislature intends to continue the UCS program or maintain some form of state support for rural telecommunications services, the commission stands ready to offer additional assistance and information to policymakers to develop feasible and innovative solutions to the challenges of providing broadband service in Washington.

Attachment A: Overview of Federal and State Broadband Support Programs

Federal Broadband Support Programs:

Connect America Fund (CAF)

In response to criticisms of the growth and direction of its legacy subsidy support programs for incumbent telephone companies, in 2011 the FCC adopted its USF/ICC Transformation Order, which began redirecting federal Universal Service Fund (federal USF) high-cost support from traditional voice service to broadband service.⁶ In that order, the FCC capped the high-cost component of the USF program at \$4.5 billion annually and redirected it to “advance universal availability of modern networks capable of delivering broadband and voice services to homes, businesses and community anchor institutions.” The FCC sought to ensure that rates for voice and broadband service available in rural, insular and high-cost areas are “reasonably comparable” to the rates for these services in urban areas.⁷ Over the past 7 years, the FCC has established a regulatory framework of extensive rules and disbursement requirements that govern how funds for rural and high-cost areas of the nation, including tribal areas, can be marshaled to support more robust, wireline and wireless infrastructure. Consistent with this new focus, the former federal USF high-cost program was renamed the Connect America Fund (CAF) and divided into several categories:

- a) **Price Cap Carrier Funding:** A fund established to direct specific federal support to large incumbent telephone companies serving broad swaths of the country according to an FCC model that assesses the availability, cost, and competitiveness of broadband services in each census block across the country. Initial annual funding was set at approximately \$1.8 billion in annual support for wireline broadband and voice services in the high-cost areas served by price-cap carriers.⁸ In Washington, there are two price cap carriers; CenturyLink and Frontier Communications. The FCC awarded Price Cap Carrier Funding in two tranches, an initial award (Phase I) to eligible incumbent wireline carriers in the 2013 – 2014 timeframe, followed by a six-year annual award (Phase II) to the same group of carriers with specific build-out and service level requirements. In Washington, CenturyLink and Frontier received approximately \$6.4 million and \$ 11.9 million, respectively, in Phase I funding. In Phase II, the companies were awarded approximately \$24.4 million and \$8.7 million annually. Phase II awards included specific buildout and service performance requirements on a state-by-state basis that carriers were expected to

⁶ *USF/ICC Transformation Order*, 26 FCC Rcd at 17751, FCC 11-161 (released November 18, 2011).

⁷ *Id.*

⁸ Price cap carriers are a group of large incumbent wireline companies whose interstate communications prices have, over time, been price capped rather than being subject to continued economic regulation. In Washington, there are two price cap carriers; CenturyLink and Frontier Communications. The FCC awarded Price Cap Carrier Funding in two tranches, an initial award (Phase I) to eligible incumbent wireline carriers in ____, followed by a six-year annual award (Phase II) to the same group of carriers with specific build-out and service level requirements.

achieve as a condition of accepting such funding. Not all carriers accepted awards in every state, a condition that effectively freed up federal support monies to be distributed to non-incumbent carriers that elected to participate in a reverse auction. In 2018, the FCC conducted a reverse auction (CAF Phase II Auction) to distribute approximately \$1.488 billion in support to be distributed over 10 years to expand rural broadband service in unserved areas in 45 states. A total of 103 providers won support from the CAF Phase II Auction. Four carriers in Washington had winning bids for total support of approximately \$20 million over 10 years to expand broadband in rural areas where, absent funding, broadband expansion, and ongoing service would not be economically feasible.⁹

- b) **Rate of Return Carrier Funding for Small Telephone Companies:** A fund established to direct specific federal support to the nation's smaller incumbent telephone companies that, historically, have received substantial federal subsidies for the provision of traditional telephone service. Initial annual funding set at approximately \$2 billion for broadband and voice services for the high-cost areas that rural rate-of-return carriers (ROR carriers) serve.¹⁰ The initial annual funding level reflected the approximate cost that smaller companies historically received from the Federal USF high-cost program subject, for the first time, to a total funding cap (i.e., budget) for such entities. In 2016, recognizing that both the historical funding levels and method of funding for the small companies were inapposite, the FCC adopted an order reforming the funding approach for ROR carriers by prescribing two funding methods that carriers could opt into. Each method includes specific service deployment and operational requirements tied to prospective funding.

Specifically, the FCC created two paths for prospective federal funding for broadband services offered by the nation's smaller ROR carriers. The first method, known as A-CAM, is an econometric method that targets support to eligible locations based on a model of the costs to serve such areas on a census-block basis, relative to a funding benchmark. Census blocks where the cost of providing broadband service exceed the benchmark are eligible for support depending on whether or not an existing provider or a competitor currently offers broadband service at or above 10/1 Mbps. The FCC offered eligible ROR carriers an opportunity to elect support under the A-CAM method with support available for a 10-year period subject to a number of infrastructure buildout, operational, and broadband service parameters. The second method builds off the existing federal USF support for voice services by reclassifying funding to directly support broadband service, with available funding subject to a variety of cost recovery limitations

⁹ The winning bidders in Washington were; (1) Computer 5 Inc. (dba LocalTel), (2) Declarations Networks Group, Inc., (3) Newmax, LLC (dba Intermax Networks), and (4) Viasat, Inc.

¹⁰ In Washington, Rate of Return Carriers are more widely recognized as the members of the Washington Independent Telecommunications Association (WITA), the smaller telecommunications companies generally serving more suburban or rural areas of the state.

and deployment obligations. Funding under this revised program is for five years beginning 2017.

- c) **Remote Areas Funding:** A fund originally conceived in the USF/ICC Transformational Order for remote and extremely high-cost areas according to rules yet to be crafted by the FCC. Despite repeated promises to jump-start development of a Remote Areas Fund, the FCC has failed to implement the fund to target support to the most remote, high-cost areas of the country.
- d) **Mobility Funding:** A mobility fund, including a tribal mobility fund, for eligible wireless carriers. Initially, the FCC set aside approximately \$350 million for a reverse auction to eligible wireless providers that commit to provide 3G or better mobile voice and broadband services across designated eligible areas across the country (Mobility Fund Phase I). Pursuant to auction rules for Mobility Fund Phase I, the FCC selected winning bids based on the population covered by extended wireless services. The objective of the Mobility Fund auction was to maximize the expansion of advanced services with the available funds, so winning bids were those that would achieve maximum deployment of such services to the largest number of citizens for the relatively lowest levels of support. Approximately \$10.1 million was awarded to two mobile providers, T-Mobile and U.S. Cellular, in the Mobility Fund Phase I auction. A second tranche of funding for mobile services is underway (Mobility Fund Phase II) pursuant to which approximately \$4.53 billion in support will be available over 10 years to primarily rural areas that lack unsubsidized 4G Long Term Evolution (LTE) service. As with Mobility Fund Phase I, the FCC will award Phase II support through a reverse auction process, subject to a robust verification and challenge process that is underway.

U.S. Department of Agriculture

Rural Utilities Service (RUS) Community Connect Grants (CCG): This program helps fund broadband deployment into rural communities where, according to USDA, it is not yet economically viable for private sector providers to deliver service. Eligible applicants include most state and local governments, federally-recognized tribes, non-profit organizations, and for-profit corporations. Areas eligible for CCG funding lack any existing broadband speed of at least 10 Mbps downstream and 1 Mbps upstream. Funding may be used for construction, acquisition, or leasing of facilities, spectrum, land or buildings used to deploy broadband service for all residential and business customers located within the area as well as critical community facilities, such as public schools, fire stations, and public libraries. Matching funds of at least 15 percent from non-federal sources are required and can be used for operating costs.

RUS Telecommunications Loan and Grant Programs: USDA's RUS division operates three loan and grant programs that support distance learning and telemedicine, rural broadband and telecommunications infrastructure.

USDA – Rural Utilities Service e-Connectivity Pilot Program: The e-Connectivity Pilot Program was established through an appropriation in the Consolidated Appropriations Act (CAA) of 2018. Under the framework set forth in the CAA, up to \$600 million in federal funds will be available to be deployed in rural areas with a population of 20,000 or less. A wide variety of entities is eligible for funding, including incumbent and competitive rural telephone and broadband service providers, rural electric cooperatives, private firms (but not sole proprietors or partnerships), nonprofits and governmental bodies. Rural areas with current internet service speeds of 10 Mbps download and 1 Mbps upload at the household will be eligible to apply for the pilot program funds.

State Broadband Support Programs:

State Universal Communications Services Program (UCS Program): The UCS Program was implemented effective July 1, 2014, to provide temporary direct support to Washington's smaller incumbent communications service providers for a five-year transitional period until July 1, 2019, with final distributions of any carryover amounts available through June 30, 2020. The program is funded by a legislative general fund appropriation to a universal communications services account with distributions determined according to rules adopted by the commission. A maximum of \$5 million is appropriated each year, for a total of \$25 million over five years. Any unspent funds in a particular year may be carried over to subsequent years as long as final distributions of available funds are completed by June 30, 2020. Under the legislation, the UCS Program provides direct financial support to designated communications providers that serve fewer than 40,000 access lines throughout Washington and whose telephone customers are at risk of rate instability or service interruptions.

Community Economic Revitalization Board (CERB) Funding: CERB's Rural Broadband Infrastructure Program was established in the 2018 Supplemental Capital Budget for the State of Washington. The program provides low-interest loan and grant packages to local governments and federally recognized Indian tribes to finance the cost to build infrastructure to provide high-speed, open-access broadband service to rural underserved communities for the purpose of community economic development. Up to \$10 million in funding is authorized through June 30, 2019, with a maximum contribution for any specific project of \$1 million subject to matching funding from applicants.

Attachment B: State UCS Program Compliance Filings—Use of Funds

Companies that receive State UCS program funds are required to file compliance reports the following year on July 1. These reports describe how UCS program funds were used.

All companies use the following standard language, or similar language, in their compliance filings:

The funds received by the Company from the universal service communications program represents monies that the Company formerly received through the Washington Exchange Carrier Association pooling process. 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.

Please see excerpts relating to the use of the distributed USF money from compliance reports below. Confidential information as filed is highlighted in yellow.

Asotin – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143028

The funds received by the Company from the universal service communications program represents monies that the Company formerly received through the Washington Exchange Carrier Association pooling process. 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 investments and expenses reported in the FCC Form 481 benefited the customers by maintaining and expanding the network to continue providing high quality telecommunications and broadband services including making the necessary capital additions to serve new customers and added capacity at DSA 13200. During 2014, the Company was added to the TDS gigE network which increased the reliability of broadband speeds to customers. The Company's serving area is very spread-out covering 415 square miles including the bottom of the Grand Ronde Canyon therefore repair calls for one or two customers can take all day and cost thousands of dollars each. The support has allowed the company to sustain the current local technical support staff therefore avoiding delayed repairs and maintenance.

Asotin – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151586

During 2015, the Company undertook several projects to enhance and reinforce facilities including major projects to retrofit the broadband wireline access equipment in Anatone and reinforcing the capacity on Rocky Road. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform those projects.

During the first six months of 2016 major projects were opened to: 1) expand the 10G transport network (\$89,000), 2) replace back-up batteries in Anatone (\$13,000) and 3) Retrofit Calix equipment in Anatone DSA 13300 (\$20,000). The major projects described above will continue throughout 2016 in addition to routine maintenance, cable additions and other projects as needed. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects.

Asotin – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160956

During the first six months of 2017 major projects were opened to: 1) Repair CSI grounding in Anatone (\$27,000), 2) replace cable at the Snake River Road crossing (\$17,000) and 3) Program Multi-Gig Wave Links from Asotin to Salkum to Denver (\$4,800). The major projects described above will continue throughout 2017 in addition to routine maintenance, cable additions and other projects as needed. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects.

Asotin – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170842

During the first six months of 2018 major projects included: 1) Installation of the Metaswitch gateway (project began in 2017 and is scheduled for completion in July 2018; total projected cost of \$181,000), 2) DSL card additions (\$6,500) 3) the purchase of a new cable locate set (\$4,400) and 4) share of TDS software improvements (\$18,700). The Company plans to begin Phase 1 of ACAM in 2019 with an estimated cost of \$2,600,000 to be invested during 2019-20. The major projects described above will continue throughout 2018 in addition to routine maintenance, cable additions and other projects as needed. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects.

Ellensburg Telephone – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143022

A CONFIDENTIAL GENERAL LEDGER STATUS REPORT OF PROJECTS WAS PROVIDED WHICH WAS NOT IN A CONVERTIBLE MICROSOFT FORMAT. A SUMMARY OF THE PROJECTS IS AS FOLLOWS:

1. \$263,777 for the initial launch of VoIP (VoIP Augmentation)
2. \$27,000 for central office power distribution which is almost at exhaust
3. \$22,350 for metaswitch software upgrades

Ellensburg Telephone – Years 2 through 5 – The company did not receive state USF funds and was not required to file any compliance reports.

Hat Island – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143042

Network Improvements/Upgrades – Voice Services – For Calendar Year 2014				
Project Description (Specific proposed improvements and/or upgrades)	Estimated Start Date	Estimated Completion Date	Service Area Name	Estimated Population
Maintain/retire/replace existing end-of-life infrastructure hardware and software	01/01/2014	12/31/2014	Hat Island	41

Hat Island – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151593

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

Maintain/retire/replace existing end-of-life infrastructure hardware and software	01/01/2015	12/31/2015	Hat Island	41
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In January 2015, the Company received \$571 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 \$4,294 and \$57,192 respectively.

During 2015 the Company undertook a capital project to upgrade the ADSL blade to VDSL. VDSL technology 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 that project including, without limitation, the repayment of loan funds.

Hat Island – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160962

During the first six months of 2017 the Company did not undertake any capital projects, but incurred \$67,908 in operating expenses relating to the maintenance of the network and provisioning of the services. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform this work including, without limitation, the repayment of loan funds. In the second half of 2017 the Company plans to continue to upgrade the existing network and is reviewing options to bring more fiber connectivity to the service area or to expand the VDSL technology previously deployed. The projected cost of either alternative will be in excess of \$5,000.

Hat Island – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170862

During the first six months of 2018 the Company did not undertake any capital projects, but incurred \$35,758 in operating expenses relating to the maintenance of the network and provisioning of the services. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform this work including, without limitation, the repayment of loan funds. In the second half of 2018 the Company plans to continue to upgrade the existing network and is reviewing options to bring more fiber connectivity to the service area or to expand the VDSL technology previously deployed.

Hood Canal – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-141556

The funds received by Hood Canal Telephone Co., Inc. (the "Company") from the universal service communications program represents monies that the Company formerly received through the Washington Exchange Carrier Association pooling process. 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 communications program are contributing to the Company's ongoing provision of high-quality basic telecommunications service to customers residing in the area the Company serves.

In addition, the Company undertook a major remodeling of the plant and construction personnel area for approximately \$330,000, a small fiber-to-the-home project in the amount of \$31,250, central office upgrades for approximately \$28,000 general support asset additions of approximately \$385,000 and other minor installations of buried fiber drops for approximately \$25,000. 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.

Hood Canal – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151549

In January 2015, the Company received \$59,814 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015 the Company acquired a mapping system for approximately \$73,500, installed a fiber-to-the-home project for approximately \$137,800, acquired general support asset additions of approximately \$85,000, upgraded fiber cable to its interexchange route for approximately \$92,800 and installed of fiber drops for approximately \$14,000. 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.

In December 2015, the Company received \$117,214 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.

During the first six months of 2016 the Company upgraded its computer network for approximately \$37,300, acquired other work equipment for approximately \$12,400 and installed fiber drops for approximately \$9,000. 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. In the second half of 2016 the Company plans to implement additional fiber-to-the-home projects for the approximately \$187,000 and upgrade its power system for approximately \$50,000.

Hood Canal – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160953

In December 2016, the Company received \$134,293 from the universal service communications program for the fiscal year ending June 30, 2017.

During the first six months of 2017, the Company upgraded its computer network for approximately \$9,000, acquired work equipment for approximately \$15,000, installed fiber drops for approximately \$3,000 and continue to work on the Union Ridge fiber-to-the-home project for approximately \$27,500. The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform those projects, the funds received from the program included, without limitation, the repayment of loan funds for other projects completed in the past. In the second half of 2017, the Company plans to implement additional fiber-to-the-home projects for the approximately \$237,000, fiber underground cable additions for approximately \$40,000 and computer system upgrades for approximately \$25,000.

Hood Canal – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170836

In December 2017, the Company received \$150,518 from the universal service communications program for the fiscal year ending June 30, 2018.

During the first six months of 2018, the Company acquired a new broadband router for approximately \$17,000, acquired work equipment tools for approximately \$10,000, acquired central office equipment for approximately \$20,000, installed fiber drops at a cost of approximately \$25,000 and continued to work on fiber-to-the-home projects at a cost of approximately \$82,000. The funds received from the universal communications services program contributed to the Company's ability to acquire these assets and perform these projects.

In addition, the funds received from the program were applied to the repayment of loan funds for other projects completed in the past.

In the second half of 2018, the Company plans to undertake additional fiber-to-the-home projects in the amount of approximately \$136,000, install fiber drop at an estimated cost of approximately \$14,500 and purchase additional central office equipment for approximately \$4,800 and core network broadband upgrades for approximately \$20,000.

Inland Telephone – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143029

The funds received by the Company from the universal service communications program represents monies that the Company formerly received through the Washington Exchange Carrier Association pooling process. 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.

In addition, the Company undertook the upgrading of facilities in its Prescott and Uniontown exchanges. Both projects involved upgrading and increasing carrier cabinets and building fiber-to-the-node which should improve service quality and service capacity as well as create operational efficiencies; shortening subscriber loop lengths. In the Uniontown exchange, as part of the fiber-to-the-node build, a fiber ring was built in order to create redundancy within the exchange. In the Prescott exchange, a fiber route was built in order to establish an Ethernet point of connection. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects, including, without limitation, the repayment of loan funds.

Inland Telephone – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151501

In January 2015, the Company received \$174,476 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015, the Company undertook cooper and fiber maintenance projects totaling approximately \$46,200, installed firewalls to protect the network totaling approximately \$206,300, made additions to the Central Office switches totaling approximately \$102,000 and capitalized the fiber termination equipment for the Roslyn Fiber-to-the-Home ("FTTH") project totaling \$170,340. Although the Roslyn FTTH project is not completed in 2015, as the Company draws money from the RUS, the Company immediately begins payment on the draws on the loan from the RUS. With that said, the Company has borrowed approximately \$4,896,000 for the Roslyn FTTH project which is still under construction in 2015. 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 previous loan funds.

In December 2015, the Company received \$306,793 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.

During the first six months of 2016, the Company is continuing the Roslyn FTTH project and started the Fiber-to-the-Node upgrade in its Dewatto exchange. The Company is also in the process of installing a new switch at its Roslyn location and faced with replacing the other three switches. 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. In the second half of 2016, the Company will close its RUS loan (must be closed by October 15, 2016); closing the Dewatto Fiber-to-the-Node project and the Roslyn FTTH project. The Company does not anticipate that the Roslyn FTTH project will be fully completed and therefore, the Company will be expending its own funds to complete this project as well as the other three switch replacements.

Inland Telephone – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160927

In December 2016, the Company received \$356,613 from the universal service communications program for the fiscal year ending June 30, 2017 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.

During the first six months of 2017 the Company undertook and continues to connect fiber-to-the-home customers in the Roslyn exchange. The Company's Rural Utilities Service ("RUS") loan/construction period closed in October 2016, which concluded the major fiber infrastructure projects in its Roslyn exchange, however, approximately 500 subscribers were connected at their premises at that time; leaving approximately 1,000 more to be connected. Due to the heavy snowfall, the continuing project of connecting customers did not resume until April; three teams of two installers' performing, by appointment, two installs per day per team. The Company can occasionally get four teams however it depends on other maintenance or troubles that may come up.

The Company also purchased and installed new switches at Prescott and Uniontown; Roslyn and Dewatto were replaced at the end of 2016, and installed new batteries in its Uniontown exchange. 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; borrowing approximately \$16,000,000 in this latest RUS loan. In the second half of 2017 the Company will continue the fiber-to-the-home installations in its Roslyn exchange, change-out the power system in its Roslyn exchange, replacing cabinets currently equipped with ADSL2+ technology with VDSL2+ technology and also adding additional cabinet equipped with VDSL2+ technology in its Dewatto exchange, and adding more subscriber cabinets equipped with VDSL2+ technology in its Uniontown and/or Prescott

exchanges in order to decrease loop lengths and increase broadband speeds; these projects will all be dependent on resources.

Inland Telephone – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170829

In December 2017, the Company received \$403,942 from the universal service communications program for the fiscal year ending June 30, 2018 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.

During the first six months of 2018 the Company continued to connect fiber-to-the-premise customers in the Roslyn exchange. The Company's Rural Utilities Service ("RUS") loan/construction period closed in October 2016, which concluded the major fiber infrastructure for the fiber-to-the-premise project in its Roslyn exchange; approximately 500 subscribers to were connected at their premises at that time. This left approximately 1,000 subscribers to be connected. Approximately 700 subscribers were connected during 2017 prior to snowfall. The continuing project of connecting customers did not resume until March 2018, as melting snow permitted. The Company anticipates completing connection by August 2018. 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; borrowing approximately \$16,000,000 in this latest RUS loan. In the second half of 2018 the Company plans extending fiber in Roslyn exchange, replacing cabinets currently equipped with ADSL2+ technology with VDSL2+ technology and also adding additional cabinet equipped with VDSL2+ technology in its Dewatto exchange, and adding more subscriber cabinets equipped with VDSL2+ technology in its Uniontown exchanges in order to decrease loop lengths and increase broadband speeds; these projects will all be dependent on resources.

Kalama Telephone – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143033

1. The Company installed exchange circuit equipment to transport voice and data between two of the company's remotes and the company's central office at a cost of approximately \$53,400. This equipment allows the Company to offer improved broadband speeds for approximately 150 customers and provided growth capacity.
2. The Company installed central office transmission and Digital Subscriber Line (DSL) equipment at a cost of approximately \$144,500. This project improved service for approximately 100 customers, plus allowing for future growth.

3. The Company installed fiber optic cable at a cost of approximately \$43,000. This project improved service for approximately 325 customers, plus allowing for future growth in the area served.
4. The Company completed several major cable and wire facilities projects. The total cost of these projects was approximately \$44,000. These projects improved service for approximately 20 customers, plus provide capacity for growth in the areas served.

Kalama Telephone – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151571

In January 2015, the Company received \$106,502 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015 the Company undertook the following projects:

1. The Company installed backup power at two locations for its exchange line circuit equipment at a cost of approximately \$24,000. This project will improve service for 350 customers.
2. The Company installed exchange line circuit equipment at a cost of approximately \$81,800. This project will be used, in part, to provide a 10 gigabyte ring for the transport of voice and data. This project should improve service for 814 customers.
3. The Company installed exchange line circuit equipment at a cost of approximately \$22,100. This project will provide VDSL2 service or 15mb ADSL2+ service to 48 customers.
4. The Company installed Gigabit Passive Optical Network fiber to the home at a cost of approximately \$25,800. This project will improve voice service and increase broadband speeds for 32 customers.
5. The company replaced and upgraded its back-up power system. This project included replacing the existing 1978 70 KW generator with newer 80 KW generator and install new transfer panels to power all electrical panels. The approximate cost of this project is \$41,500. This project will improve voice and data service reliability.

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform that the those projects, including, without limitation, the repayment of loan funds.

In December 2015, the Company received \$217,885 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.

During the first six months of 2016 the Company undertook:

1. The Company installed exchange line circuit equipment at a cost of approximately \$23,700. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
2. The Company installed exchange line circuit equipment at a cost of approximately \$36,400. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
3. The Company plans to install Gigabit Passive Optical Network fiber to the home at a cost of approximately \$36,400. This project will improve voice service and increase broadband speeds for 30 customers.

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform that those projects including, without limitation, the repayment of loan funds. In the second half of 2016 the Company plans:

1. The Company plans to install Gigabit Passive Optical Network fiber to the home at a cost of approximately \$64,000. This project will improve voice service and increase broadband speeds for 31 customers.
2. The Company plans to install a conduit system at a cost of approximate cost of \$23,600. This project will allow for fiber installation for transport facilities for the company's exchange line circuit equipment.
3. The Company plans to install a conduit system at a cost of approximate cost of \$32,000. This project will allow for fiber installation for diverse transport facilities to the one of the company's exchange line circuit equipment.
4. The Company plans to install exchange line circuit equipment at a cost of approximately \$36,400. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
5. The Company plans to install fiber between its central office and a remote at a cost of approximately \$78,500. This project will improve voice service and increase broadband speeds for 960 customers.
6. The Company plans to install exchange line circuit equipment at a cost of approximately \$33,400. This project will be used, in part, to provide a 10 gigabyte ring for the transport of voice and data. This project should improve service for 32 customers.

7. The Company plans to install exchange line circuit equipment at a cost of approximately \$22,100. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.

Kalama Telephone – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160966

In December 2016, the Company received \$248,296 from the universal services communications program for the fiscal year ending June 30, 2017 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.

During the first six months of 2017 the Company completed the following projects:

1. The Company installed exchange line circuit equipment at a cost of approximately \$22,000. This project will provide VDSL2 service or ADSL2+ service to 31 customers. This project will improve broadband speeds, increase data capacity and will provide growth capacity in the area served.
2. The Company installed exchange line circuit equipment at a cost of approximately \$16,500. This project will provide VDSL2 service or ADSL2+ service to 48 customers. This project will improve broadband speeds and increase data capacity.
3. The Company installed Gigabit Passive Optical Network fiber to the premise to a new residential subdivision at a cost of approximately \$17,900. This project will provide voice and broadband service to 32 potential customers.
4. The Company installed fiber optic facilities between its central office and a remote at a cost of approximately \$78,500. This project improved voice and broadband service for approximately 960 customers.

The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform the projects above.

In the second half of 2017 the Company anticipates performing the following projects:

1. The Company plans to install Gigabit Passive Optical Network fiber to the premise to a new residential subdivision at a cost of approximately \$10,000. This project will provide voice and broadband service to 31 potential customers.
2. The Company plans to install exchange line circuit equipment at a cost of approximately \$48,000. This project will provide VDSL2 service or ADSL2+ service to 96 customers. This project will improve both broadband speeds and increase data capacity.

3. The Company plans to install exchange line circuit equipment at a cost of approximately \$36,000. This project will provide VDSL2 service or ADSL2+ service to 48 customers. This project will improve both broadband speeds and increase data capacity.
4. The Company plans to install exchange line circuit equipment at a cost of approximately \$22,000. This project will provide VDSL2 service or ADSL2+ service to 36 customers. This project will improve both broadband speeds, increase data capacity and will provide growth capacity in the area served.
5. The Company plans to install exchange line circuit equipment and fiber optic transport at a cost of approximately \$83,000. This project will provide a 10 gigabyte transport of voice and data. This project should improve voice service, broadband speeds and increase data capacity for approximately 200 customers.

Kalama Telephone – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170856

In December 2017, the Company received \$277,186 from the universal services communications program for the fiscal year ending June 30, 2018 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.

During the first six months of 2018 the Company undertook the several projects that were not yet complete at the filing of this report. These projects will be included in the next section. The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform these projects.

In the second half of 2018 the Company anticipates performing the following projects:

1. The Company plans to install exchange line circuit equipment at a cost of approximately \$48,000. This project will provide VDSL2 service or ADSL2+ service to 48 customers. This project will improve broadband speeds and increase data capacity.
2. The Company plans to install exchange line circuit equipment at a cost of approximately \$36,400. This project will provide VDSL2 service or ADSL2+ service to 96 customers. This project will improve broadband speeds and increase data capacity.
3. The Company plans to install exchange line circuit equipment at a cost of approximately \$36,400. This project will provide VDSL2 service or ADSL2+ service to 48 customers. This project will improve broadband speeds and increase data capacity.
4. The Company plans to install exchange line circuit equipment at a cost of approximately \$24,500. This project will provide VDSL2 service or ADSL2+ service to 48 customers. This project will improve broadband speeds and increase data capacity.

5. The Company plans to install exchange line circuit equipment at a cost of approximately \$17,400. This project will provide VDSL2 service or ADSL2+ service to 48 customers. This project will improve broadband speeds and increase data capacity.
6. The Company plans to install exchange line circuit equipment at a cost of approximately \$16,500. This project will provide VDSL2 service or ADSL2+ service to 48 customers. This project will improve broadband speeds and increase data capacity.
7. The Company plans to install Gigabit Passive Optical Network fiber to the premise to a new business park at a cost of approximately \$32,000. This project will provide voice and broadband service to all future occupants.
8. The Company plans to install fiber optic facilities between its central office and a remote at a cost of approximately \$73,500. This project improved voice and broadband service for approximately 24 customers.
9. The Company plans to install fiber optic facilities between its central office and exchange line circuit equipment at a cost of approximately \$36,400. This project improved voice and broadband service for approximately 96 customers.

Lewis River – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143025

The Company reports that the investments and expenses reported in the FCC Form 481 benefited the customers by maintaining and expanding the network to continue providing high quality telecommunications and broadband services including making the necessary capital additions to serve new customers, update the DC power plant, provide improved services to the LaCenter school district and added capacity at several DSA sites. In addition, the Company undertook a project to replace the AnyMedia equipment with Adtran 5000 gear to upgrade broadband service to its customers. The funds received from the universal service communications program contributed to the Company's ability to complete that project. The support has also allowed the company to sustain the current local technical support staff therefore avoiding delayed repairs and maintenance.

Lewis River – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151587

In January 2015, the Company received \$75,118 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015 the Company undertook several projects to enhance and reinforce facilities including increasing the capacity in DSAs 41401, 41403, 41404, 41501, 41606, 41609, and 41701 in order to enhance VDSL and ADSL broadband services. The Company also buried new cable to expand services to serve new customers and replaced damaged cable as necessary.

The investments and expenses reported in the FCC Form 481 benefited the customers by maintaining and expanding the network to continue providing high quality telecommunications and broadband services including making the necessary capital additions to serve new customers. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform those projects.

In December 2015, the Company received \$102,416 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.

During the first six months of 2016 the Company opened major projects to:

1. provide new service (\$34,100),
2. increase broadband capacity/performance in LaCenter (\$15,000),
3. replace bad cable (\$8,200), replace back-up batteries in Yale (\$10,000), and
4. cable reinforcement (\$2,500).

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects plus cover normal operating expenses. The major projects described above will continue throughout 2016 in addition to routine maintenance, cable additions and other projects as needed.

Lewis River – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160965

In December 2016, the Company received \$123,866 from the universal service communications program for the fiscal year ending June 30, 2017 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.

During the first six months of 2017 the Company opened major projects to:

1. Purchase 3M Dynatel 2273 Cable locate set (\$4,000),
2. New service locations (\$38,700),
3. increase broadband capacity/performance in LaCenter (\$28,000),
4. replace bad cable (\$1,000), and

5. Metaswitch upgrade (\$3,400).

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects plus cover normal operating expenses. The major projects described above will continue throughout 2017 in addition to routine maintenance, cable additions and other projects as needed.

Lewis River – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170843

In December 2017, the Company received \$144,243 from the universal service communications program for the fiscal year ending June 30, 2018.

During the first six months of 2018 the Company worked on major projects to:

1. Provide service to several new subdivisions including Gorden Crest Phase 2 (\$17,000), Highland Terrace (\$62,000), Wallezer (\$20,000), Sunrise Terrace (\$80,000), Kays (\$123,000), Riverside Estates (\$102,000), and Sargents (\$6,500),
2. Paradise Point copper and fiber move (\$35,000),
3. Upgrade Calix equipment to ILOG in Cougar and Amboy (\$46,000),
4. Increase VDSL capacity at DSA 41400 (\$11,800),
5. Move facilities for the new LaCenter roundabout (\$9,200),
6. Cable reinforcement (\$11,000) and
7. Share of TDS software improvements (\$90,000).

In addition, the Company has begun work to improve broadband speeds relating to Phase 1 (2018-19) of ACAM commitments. The estimated cost of Phase 1 at this time is \$1,105,000 with \$287,000 budgeted for 2018.

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects plus cover normal operating expenses. The Company opens all major projects that are budgeted early in the year thus those described above will continue throughout 2018 in addition to routine maintenance, cable additions and other projects that will be done as needed.

Mashell Telecom – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-141533

In addition, the Company undertook several construction and maintenance projects. The Company expanded its transport network by entering into a long-term dark fiber leasing arrangement and constructing a middle mile fiber to a meet point in Tacoma. This project provides the company with additional transport capacity and redundancy.

The Company expanded on existing customer service areas (CSAs) at a cost in excess of \$50,000. The expansion of CSAs provides additional capacity for higher broadband speeds to current customers and provides a platform on which additional telecommunications services, including, but not limited to, advanced services, can be provided to customers. These projects improve service to the Company's customers within the 832 and 879 exchanges with a significant growth potential to adjacent properties in its designated ETC service area.

Mashell Telecom – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151520

In January 2015, the Company received \$70,176 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015, the Company undertook several construction and maintenance projects. The Company expanded its transport network by entering into a long-term dark fiber leasing arrangement and constructing a middle mile fiber to a meet point in Napavine. This project provides the company with additional transport capacity and redundancy.

In addition to the foregoing, the Company has a \$17M four-year plan (2015-2018) to upgrade aging portions of its outside plant and network infrastructure to a FTTP (Fiber-to-the-premise) architecture. The Company is building out FTTP in the core area of the Eatonville exchange including residential lake areas, and also is building FTTP in portions of the rural areas of the Kopowsin exchange. The FTTP network architecture will provide these customers access to voice, multimedia, and data services over one unified access platform. The Company plans to place remote terminals strategically in order to shorten copper loops to 5,000 feet or less, and then plans to groom the copper loops and begin offering higher data rates in areas that were previously limited by loop distance. 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.

In December 2015, the Company received \$160,385 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.

During the first six months of 2016 the Company finalized the middle mile fiber construction that began in 2015 outlined above, and undertook a secondary middle mile fiber meet point project in Bucoda. This will provide the Company with the needed transport facilities that the

FTTP build out will require. The Company finalized the engineering plans for our FTTP installation in Eatonville proper, where construction will begin September and is currently staking lake communities to outline fiber routes and customer counts for projects to begin early 2017. 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. In the second half of 2016 the Company plans to finalize the North middle mile fiber project to Bucoda. The Company will begin construction on the Eatonville proper FTTP facilities to service local businesses in the community, and finalize the fiber route engineering plans for lake communities.

Mashell Telecom – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160963

In December 2016, the Company received \$180,423 from the universal service communications program for the fiscal year ending June 30, 2017 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.

During the first six months of 2017 the Company undertook \$300,000 in new construction and major maintenance projects related to extending telephone and broadband service to subscribers and maintenance on infrastructure stability to provide the company with additional transport capacity and redundancy. 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.

In addition to the foregoing, the Company has a \$17M four-year plan (2015-2018) to upgrade aging portions of its outside plant and network infrastructure to a FTTP (Fiber-to-the-premise) architecture. The first six months of 2017, the Company invested \$3 million continuing the build out of FTTP in the core area of Eatonville exchange excluding residential lake areas, and also is building FTTP in portions of the rural areas of the Kapowsin exchange. The FTTP network architecture will provide these customers access to voice, multimedia, and data services over one unified access platform. The Company plans to place remote terminals strategically in order to shorten copper loops to 500 feet or less, and then plans to groom the copper loops and begin offering higher data rates in areas that were previously limited by loop distance. 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.

In the second half of 2017 the Company plans [to continue the aforementioned project related to FTTP and begin subscriber installations in July with the intention of transitioning all core Eatonville subscribers to the new platform prior to yearend. The Company also plans to begin the second phase of the project construction extending FTTP to the Eatonville and Kapowsin more remote lake areas.

Mashell Telecom – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170857

In December 2017, the Company received \$199,459 from the universal communications services program for the fiscal year ending June 30, 2018.

During the first six months of 2018, the Company invested \$400K in new equipment upgrades to improve and expand broadband services to subscribers. The funds received from the universal communications services program can be viewed as contributing to the Company's ability to fund these projects, including, without limitation, the repayment of loan funds.

In addition to the foregoing, the Company is currently in the final year of a \$17M four-year plan (2015-2018) to upgrade aging portions of its outside plant and network infrastructure to a FTTP (Fiber-to-the premise) architecture. We concluded the initial build of fiber infrastructure within the town of Eatonville, WA last fall. Shortly thereafter, starting in October 2017 and continuing through the first half of 2018, we initiated a \$4.5M FTTP project building fiber infrastructure to service several rural lake communities within our exchanges. The FTTP network architecture will provide these customers' access to voice, multimedia, and data services over one unified access platform. These network upgrades also allow the company to offer broadband speeds to make applications such as working from home, eLearning, and eMedicine viable options for our subscribers. 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.

In the second half of 2018, the Company plans to continue the aforementioned project related to FTTP and to invest an additional \$300k in equipment and outside plant infrastructure in communities to further drive network upgrades facilitating modern voice, multimedia and broadband services in the rural areas of Eatonville and Kapowsin.

McDaniel Telephone – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143024

The Company reports that the investments and expenses reported in the FCC Form 481 benefited the customers by maintaining and expanding the network to continue providing high quality telecommunications and broadband services including making the necessary capital additions to serve new customers and add capacity at DSA 41300. The support has also allowed the company to sustain the current local technical support staff therefore avoiding delayed repairs and maintenance.

In June 2014, the Company also completed the stimulus-funded project that included the installation of about 10 miles of fiber optics cabling and six cabinets. More than 400 residents around Onalaska and Salkum gained access to high-speed Internet service in this area. TDS projected the cost at nearly \$1.6 million. TDS invested 25 percent (nearly \$400,000) and the RUS grant covered 75 percent.

McDaniel Telephone – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151591

In January 2015, the Company received \$102,829 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015 the Company undertook several projects to enhance and reinforce facilities including upgrading the transport facilities at DSA 41300 in Mossy Rock and DSA 41100 in Salkum in order to enhance broadband services. The Company also buried new cable to expand services to serve new customers and replaced damaged cable as necessary.

The investments and expenses reported in the FCC Form 481 benefited the customers by maintaining and expanding the network to continue providing high quality telecommunications and broadband services including making the necessary capital additions to serve new customers. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform those projects.

In December 2015, the Company received \$213,220 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.

During the first six months of 2016, the Company opened major projects to:

1. provide 100Mbps service to Valley View Health Center (\$19,700),
2. replace damaged cable (\$5,300), and
3. improve DSL at DSA 41104 and Salkum (\$10,800).

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects and helping to recover normal operation costs. The major projects described above will continue throughout 2016 in addition to routine maintenance, cable additions and other projects as needed.

McDaniel Telephone – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160957

In December 2016, the Company received \$242,582 from the universal service communications program for the fiscal year ending June 30, 2017 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.

During the first six months of 2017, the Company opened major projects to:

1. provision new service (\$43,000),
2. replace batteries at Salkum and Mossyrock (\$37,000), and
3. purchase a Chevy 4x4 DC-BFX Utility Truck (\$50,000).

In addition, the Company has opened 30 projects to improve broadband speeds relating to phase 1 of ACAM commitments. These projects are still in engineering with construction planned to begin in the 3rd or 4th quarter 2017 and will continue into 2018. The early estimated cost of phase 1 is \$2,000,000.

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects and helping to recover normal operation costs. The major projects described above will continue throughout 2017 in addition to routine maintenance, cable additions and other projects as needed.

McDaniel Telephone – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170844

In December 2017, the Company received \$270,476 from the universal service communications program for the fiscal year ending June 30, 2018.

During the first six months of 2018, the Company opened major projects to:

1. Bury drops (\$14,500),
2. Install line extensions (\$27,000),
3. Hi-way 508 bridge move (\$19,000),
4. Cable augmentation Winsdorfer road (\$17,000),
5. Generator replacement in Onalaska (\$2,500), and 6) share of Software improvements (\$70,000).

In addition, the Company has many projects open to improve broadband speeds relating to Phase I of ACAM commitments. Many of the projects were engineered in 2017 with construction underway during 2018. The estimated cost of Phase 1 at this time is \$3,996,000 with \$1,773,000 budgeted in 2018.

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects and helping to recover normal operation costs. The Company opens all major projects that are budgeted early in the year thus those described above will continue throughout 2018 in addition to routine maintenance, cable additions and other projects as needed.

Pend Oreille Telephone – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-141540

Note: Pend Oreille did not receive funds in 2014 as only petitioning companies that had previously received Traditional State USF (TUSF) received funds in 2014. Pend Oreille's Year 1 state USF funds for CAF-ICC were received in January 2015.

Pend Oreille Telephone – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151559

In January 2015, the Company received \$154,600 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015 the Company undertook projects that included upgrading its field electronics and central office electronics to enable faster DSL services and also added additional fiber capacity to handle additional bandwidth. 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.

In December 2015, the Company received \$201,068 from the universal service communications program for the fiscal year ending June 30, 2016 representing the reduction in support from the CAF ICC Program.

The universal service communications program can be viewed as contributing to the Company's ability to perform that project those projects, including, without limitation, the repayment of loan funds. In the second half of 2016 the Company plans to continue to bring subscribers on to its fiber-to-the-home network.

Pend Oreille Telephone – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160942

In December 2016, the Company received \$245,213.00 from the universal service communications program for the fiscal year ending June 30, 2017 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.

During the first six months of 2017 the Company undertook several construction and maintenance projects. The Company expanded its local area network by upgrading its field electronics and central office electronics to enable faster DSL services and also additional fiber capacity to handle additional bandwidth.

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform that project, including, without limitation, the repayment of loan funds. In the second half of 2017 the Company plans to continue adding more field electronics, adding additional fiber routes.

Pend Oreille Telephone – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170859

In December 2017, the Company received \$287,151 from the universal communications services program for the fiscal year ending June 30, 2018.

During the first six months of 2018, the Company purchased appx 8 miles of 24 count aerial fiber from Northstar Broadband. This purchase will allow us to have redundancy for our customers and more capacity than our previous lease with Northstar. The company engineered and requested permits during the winter months in anticipation of our summer construction. The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform these projects, including, without limitation, the repayment of loan funds. In the second half of 2018 the Company has started construction on the fiber to the home project for the West Kalispel, which includes 20 miles of backbone fiber optic cable. They will also install a new Calix DLC cabinet in the Skookum Creek area which will serve 96 Fiber to the Homes. There are several more projects in the budget and they will be completed as time allows.

Pioneer Telephone – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-141555

The funds received by Pioneer Telephone Company (the “Company”) during 2014 from the state universal communications services program (the “Program”) represent monies that the Company formerly received through the Washington Exchange Carrier Association pooling process. As such, the funds from the Program contributed to defraying the ongoing operation and maintenance expenses of the Company. The funds from the Program are contributing to the Company's ongoing provision of high-quality basic telecommunications service to customers present in the area the Company serves.

In addition, during 2014 the Company undertook adding additional DSL/POTs equipment in the amount of \$87,483 and installing new fiber in the amount of \$37,961 to enhance broadband

capabilities. The funds received from the Program can be viewed as contributing to the Company's ability to perform those project additions.

Pioneer Telephone – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151577

In January 2015, the Company received \$64,803 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015 the Company added ethernet transport equipment in the amount of \$70,189, provided a Fixed Wi-Fi hot spot in Central Ferry in the amount of \$48,153 and installed new fiber in the amount of \$132,527 to enhance the Company's broadband capabilities. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform those projects.

In December 2015, the Company received \$99,862 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.

During the first six months of 2016 the Company acquired a new company vehicle and other work equipment in the amount of \$32,879 and office support equipment in the amount of \$9,411. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these and future projects effectively. In the second half of 2016 the Company plans to purchase fiber optic cable in anticipation of a fiber-to-the-home project throughout their serving area to be funded with supplementary funding by electing the new model base support from the FCC USF Reform Order 16-33.

Pioneer Telephone – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160939

In December 2016, the Company received \$118,366 from the universal communications services program for the fiscal year ending June 30, 2017.

During the first six months of 2017 the Company purchased fiber cable, fiber electronics and associated materials in the approximate amount of \$245,000 for their fiber-to-the-home project throughout their serving area to be funded in conjunction with Alternative Connect American Cost Model (ACAM) support to provide customers with higher quality broadband services. The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform that project. In the second half of 2017 the Company will continue to work on the fiber-to-the-home project in the Hooper and Hay areas of their study area for approximately \$750,000.

Pioneer Telephone – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170831

In December 2017, the Company received \$127,156 from the universal communications services program for the fiscal year ending June 30, 2018.

During the first six months of 2018 the Company continues their fiber-to-the-home construction work, fiber electronics installation and fiber hookups to customer homes in the approximate amount of \$465,000 throughout their serving area to be funded in conjunction with Alternative Connect America Cost Model (ACAM) support to provide customers with higher quality broadband services. The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform this project. In the second half of 2018 the Company will continue to work on the fiber-to-the-home project in the Hay, Riparia, and Dusty areas of their study area for approximately \$735,000.

St. John Telephone – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-141554

In addition, the Company undertook acquiring new battery backup power for its central office and upgrading its billing computer equipment in the amount of \$45,450. 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 it borrowed to fund its fiber-to-the-home project in previous years.

St. John Telephone – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151554

In January 2015, the Company received \$36,701 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015 the Company acquired a new company vehicle in the amount of \$45,267, upgraded its ethernet transport in the amount of \$65,389 and installed an additional interexchange fiber route in the amount of \$115,173. 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 it borrowed to fund its fiber-to-the-home project in previous years.

In December 2015, the Company received \$52,308 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.

During the first six months of 2016 the Company undertook no major projects. The funds received from the universal service communications program can be viewed as contributing to the repayment of loan funds it borrowed to fund its fiber-to-the-home project in previous years. In the second half of 2016 the Company plans to install fiber drops for new homes in their serving area that may have significant costs.

St. John Telephone – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160945

In December 2016, the Company received \$62,787 from the universal communications services program for the fiscal year ending June 30, 2017.

During the first six months of 2017, the Company undertook no major projects. The funds received from the universal communications services program can be viewed as contributing to the repayment of loan funds it borrowed to fund its fiber-to-the-home project in previous years. In the second half of 2017 the Company plans to purchase computer equipment and continue to use funds for repayment of loan noted previously.

St. John Telephone – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170850

During the first six months of 2018, the Company acquired work equipment of approximately \$7,500 and installed fiber drop for approximately \$4,200. Additionally, the funds received from the universal communications services program are utilized to assist in contributing to the repayment of loan funds it borrowed to fund its fiber-to-the-home project in previous years. In the second half of 2018 the Company plans to purchase computer equipment for approximately \$5,000, install fiber drops for approximately \$10,000 and continue to use funds for repayment of loan noted previously.

Skyline Telecom – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-141470

This report is filed on behalf of Skyline Telecom Inc. In Order 01 Docket UT-141470, the commission granted Skyline's application for funding from the State USF Program in the amount of \$49,581.00. In Paragraph 20 additional reporting requirements were stipulated. Specifically, an accounting of the funds was required by January 31, 2016. This letter will provide the final report for the use of these funds.

Skyline completed the installation of Calix equipment and the related backup power equipment at the end of September, 2015. All customers in the MT Hull exchange were then cutover to the Calix equipment in October. Both telephone and data services were cutover from the existing facilities. This new equipment allows for more reliable telecommunications and provides for greater broadband capacity. Depending upon the quality of the copper drop, customers can expect speeds up to thirty megabytes of download capacity.

The total cost of this project was \$56,729.26. General funds were used to supplement the \$49,581.00 received through the State USF Program. All \$49,581.00 was spent on the equipment acquired for this project.

Skyline Telecom – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151526

This report is filed on behalf of Skyline Telecom Inc. In Order 01 Docket UT-151526, the commission granted Skyline’s application for funding from the State USF Program in the amount of \$64,484.00. In Paragraph 15 additional reporting requirements were stipulated. This letter will provide a status report for the use of these funds.

Skyline Telecom completed the fiber install in the Silverton exchange in August, 2016. Calix electronics were installed and the necessary splicing was completed in September, 2016. The total cost of this project was \$105,580. A new locator was also purchased early in the year for \$4,228. Total capital expenditures for 2016 were \$109,808.

Skyline Telecom – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160951

The company did not receive state USF funds and was not required to file any compliance reports.

Skyline Telecom – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170861

The company did not receive state USF funds and was not required to file any compliance reports.

Tenino Telephone – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143031

1. The Company installed Digital Subscriber Line (DSL) equipment at a cost of approximately \$67,000. This equipment allows the Company to offer improved download speed and provided growth capacity.

2. The Company installed Digital Subscriber Line (DSL) equipment at a cost of approximately \$22,000. This equipment allows the Company to offer improved download speed and provided growth capacity.
3. The Company installed upgrades to its central office switching equipment at a cost of approximately \$64,500. This project added Voice over Internet Protocol (VOIP) services and automatic call distribution calling features.

The funds received from the Program can be viewed as contributing to the Company's ability to perform those projects, including, without limitation, the repayment of loan funds.

Tenino Telephone – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151572

In January 2015, the Company received \$103,906 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015, the Company undertook the following construction and maintenance projects:

1. The Company installed exchange line circuit equipment at a cost of approximately \$33,700. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
2. The Company installed exchange line circuit equipment at a cost of approximately \$22,600. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
3. The Company installed exchange line circuit equipment at a cost of approximately \$21,300. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
4. The Company installed exchange line circuit equipment at a cost of approximately \$25,800. This project will provide a 10 gigabyte transport for voice and data. This project will improve service and increase broadband speeds for 91 customers.
5. The Company installed exchange line circuit equipment at a cost of approximately \$21,300. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
6. The Company installed fiber optic cable at a cost of approximately \$37,300. This project will improve service and increase broadband speeds for 48 customers.
7. The Company installed fiber optic cable at a cost of approximately \$145,000. This project will improve service and increase broadband speeds for 91 customers.

8. The Company installed exchange line circuit equipment at a cost of approximately \$35,000. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
9. The Company completed several major cable and wire facilities projects. The total cost of these projects was approximately \$39,000. These projects improved service for approximately 20 customers, plus providing capacity for growth in the areas served.

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform those project.

In December 2015, the Company received \$211,387 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.

During the first six months of 2016 the Company undertook the following construction:

1. The Company installed exchange line circuit equipment at a cost of approximately \$21,300. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
2. The Company installed exchange line circuit equipment at a cost of approximately \$21,300. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform those project. In the second half of 2016 the Company plans to undertake the following projects:

1. The Company plans to install exchange line circuit equipment at a cost of approximately \$21,300. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
2. The Company plans to install exchange line circuit equipment at a cost of approximately \$23,500. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.
3. The Company plans to install fiber optic cable at a cost of approximately \$99,900. This project will improve voice service and increase broadband speeds for 33 customers.
4. The Company plans to install exchange line circuit equipment at a cost of approximately \$15,000. This project will provide VDSL2 service or ADSL2+ service to 12 customers and will improve both broadband speeds and data capacity.

5. The Company installed exchange line circuit equipment at a cost of approximately \$35,000. This project will provide VDSL2 service or ADSL2+ service to 48 customers and will improve both broadband speeds and data capacity.

Tenino Telephone – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160964

In December 2016, the Company received \$241,057 from the universal communications services program for the fiscal year ending June 30, 2017 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.

During the first six months of 2017 the Company undertook the several projects that were not yet complete at the filing of this report. These projects will be include in the next section. The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform those project.

In the second half of 2017 the Company plans to complete the following projects:

1. The Company plans to install exchange line circuit equipment at a cost of approximately \$35,000. This project will provide VDSL2 service or ADSL2+ service to 20 customers. This will improve broadband speeds, increase data capacity and provide growth capacity in the area served.
2. The Company plans to install exchange line circuit equipment at a cost of approximately \$35,000. This project will provide VDSL2 service or ADSL2+ service to 30 customers. This will improve broadband speeds, increase data capacity and provide growth capacity in the area served.
3. The Company plans to install exchange line circuit equipment at a cost of approximately \$35,000. This project will provide VDSL2 service or ADSL2+ service to 30 customers. This will improve broadband speeds, increase data capacity and provide growth capacity in the area served.
4. The Company plans to install exchange line circuit equipment at a cost of approximately \$35,000. This project will provide VDSL2 service or ADSL2+ service to 35 customers. This will improve broadband speeds, increase data capacity and provide growth capacity in the area served.
5. The Company plans to install Gigabit Passive Optical Network fiber to the premise at a cost of approximately \$20,000. This project will improve voice and broadband service to approximately 40 customers.

6. The Company plans to install Gigabit Passive Optical Network fiber to the premise at a cost of approximately \$17,000. This project will improve voice and broadband service to approximately 40 customers.

Tenino Telephone – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170854

In December 2017, the Company received \$269,243 from the universal communications services program for the fiscal year ending June 30, 2018 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.

During the first six months of 2018 the Company completed the following projects:

1. The Company installed exchange line circuit equipment and fiber optic transport at a cost of approximately \$31,500. This project will provide VDSL2 service or ADSL2+ service to 12 customers. This project will improve broadband speeds, increase data capacity and provide growth capacity in the area served.
2. The Company installed exchange line circuit equipment and fiber optic transport at a cost of approximately \$97,700. This project will provide VDSL2 service or ADSL2+ service to 48 customers. This project will improve broadband speeds, increase data capacity and provide growth capacity in the area served.

In the second half of 2018 the Company plans to complete the following projects:

1. The Company plans to install exchange line circuit equipment at a cost of approximately \$35,000. This project will provide VDSL2 service or ADSL2+ service to 30 customers. This project will improve broadband speeds, increase data capacity and provide growth capacity in the area served.
2. The Company plans to install exchange line circuit equipment at a cost of approximately \$42,000. This project will provide VDSL2 service or ADSL2+ service to 48 customers. This project will improve broadband speeds, increase data capacity and provide growth capacity in the area served.
3. The Company plans to install exchange line circuit equipment at a cost of approximately \$35,000. This project will provide VDSL2 service or ADSL2+ service to 35 customers. This project will improve broadband speeds, increase data capacity and provide growth capacity in the area served.
4. The Company plans to install exchange line circuit equipment at a cost of approximately \$35,000. This project will provide VDSL2 service or ADSL2+ service to 48 customers. This project will improve broadband speeds, increase data capacity and provide growth capacity in the area served.

5. The Company plans to install Gigabit Passive Optical Network fiber to the premise at a cost of approximately \$47,000. This project will improve voice and broadband service to approximately 40 customers.
6. The Company plans to install Gigabit Passive Optical Network fiber to the premise at a cost of approximately \$22,000. This project will improve voice and broadband service to approximately 35 customers.

The Toledo Telephone Company – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-141541

In addition, the Company undertook a project to completely replace 100% of our 40 year old copper network with fiber optic cable. The total cost of the project is budget for \$18,000,000.00. During the year 2014, the project employed many local citizens which also benefited the community. We have completed all placement of mainline fiber and fiber drops. Nearly 50% of the homes and businesses passed have been cut-over to fiber. All remaining customers shall be cut-over to fiber by year end 2016. All anchor institutions in our service area have been cut-over to fiber and Toledo School District now has a gigabit internet connection to the world. The funds received from the universal service communications program are critical to contributing to the Company's ability to perform that project including, without limitation, the repayment of loan funds.

The Toledo Telephone Company – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151612

In January 2015, the Company received \$126,345 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015 the Company completed a 100% fiber to the premise upgrade to our network, and was nationally recognized as the first certified gigabit provider in the state. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform that project, including, without limitation, the repayment of loan funds.

In December 2015, the Company received \$279,514 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.

During the first six months of 2016 the Company has not launched any new projects however, the funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform our recent fiber upgrade, including, without limitation, the repayment of loan funds. In the second half of 2016 the Company plans to upgrade our middle mile capacity to 20 gigabits.

The Toledo Telephone Company – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160947

In December 2016, the Company received \$313,593 from the universal service communications program for the fiscal year ending June 30, 2017 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. The funds received are critical for repayment of the Company's RUS debt of approximately \$15 million as well as continued regular operations. During 2016, the Company repaid \$1,298,166 in principle and interest to RUS. The Company estimates that during 2017, interest paid to RUS will be approximately \$364,000 and principal at \$995,000

During the first six months of 2017 the Company did not undertake any new major construction projects. However, there is a significant increase in new customers since the completion of our fiber project. New home construction is at an all-time high, which requires additions to our fiber network in terms of new fiber drops, vaults and splicing.

Capital Expenditures related specifically to new home connections were \$197,355.43 during 2016. The company is on track to exceed that amount during 2017. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to meet the demands of increased customer growth including, without limitation, the repayment of loan funds. In the second half of 2017 the Company does not have plans for major projects but expects to see continued customer growth, which requires additions to our fiber network in terms of new fiber drops, vaults and splicing.

The Toledo Telephone Company – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170851

In December 2017, the Company received \$349,869 from the universal communications services program for the fiscal year ending June 30, 2018.

During the first six months of 2018, the Company undertook sixteen new home sites requesting fiber optic service. Since December 2016, over forty new home sites have requested and / or been connected to fiber. All of these require additional construction including but not limited to: new vaults placed along main fiber routes, fiber drops to the home and new electronics. The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform that this unprecedented growth in our service area placing a heavy demand on Cap-Ex and including, without limitation, the repayment of loan

funds. In the second half of 2018 the Company plans to see continued strong growth of new homes requesting service and project at least another forty new homes during FY 2018-2019.

Westgate Communications LLC – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143047

In addition, WeavTel undertook several construction and maintenance projects. WeavTel expanded its last mile network by installing new fixed wireless links. This project provided access to more customers by having fixed wireless access to customers in previously unserved areas.

WeavTel increased its backhaul satellite transport network bandwidth by 45% at a cost of approximately \$26,000 a year. The backhaul transport network provides connectivity from the Stehekin Exchange back to the PSTN and PIPN at the Wenatchee Washington Access Tandem. This increase allows more concurrent telephone calls and internet bandwidth for customers.

The funds received from the State Universal Service Program contributed to WeavTel's ability to perform previously discussed projects, and to make payments on loan obligations.

Westgate Communications LLC – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151613

In January 2015, the Company received \$44,820 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015 the Company undertook bandwidth increase offerings for business customers. This increased their download speeds by 1/3. We also continued to deploy the Excede satellite internet system increasing our foot print to areas previously unserved by WeavTel. New HVAC system was purchased and installed for the Stehekin Central office. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform the projects listed above, including, without limitation, the repayment of loan funds and increasing line counts in telephone and internet services.

In December 2015, the Company received \$58,291 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.

During the first six months of 2016 the Company undertook the install of a new drain field and placed a trailer in Stehekin. This project allowed workers to spend greater time in Stehekin and they are not limited to going to Stehekin when there is a room available in the landing resort. A

new install trailer was purchased that has allowed us to perform installs all over the valley and have all needed supplies with us. This also allows us to complete more than one install without going back for more materials. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform those projects listed above, including, without limitation, the repayment of loan funds. In the second half of 2016 the Company plans to complete its continuing right of way application process with the National Park Service. This will allow us to install to new towers in Stehekin. This will increase the number of customers that we currently reach and are able to service.

Westgate Communications LLC – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160987

In December 2016, the Company received \$71,089 from the universal service communications program for the fiscal year ending June 30, 2017 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. During the first six months of 2017 the Company undertook installing new DSL plant, installing new VoIP telephone clients and completed our shop facility and continued the build of our network operations facility/crew quarters. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform the projects listed above and below, including, without limitation, the repayment of loan funds. In the second half of 2017 the Company plans to continue to work on the Right Of Way with the National Park Service to install our towers, complete our operations center/crew quarters, install DSL connections and hook up new VOIP customers.

Westgate Communications LLC – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170867

In December 2017, the Company received \$83,247 from the universal communications services program for the fiscal year ending June 30, 2018.

During the first six months of 2018, the Company undertook projects to build out copper and XDSL services to its customers. As of June 15th, 2018, Westgate's line counts were 76 voice and 56 data lines. Westgate also completed upgrading two of its remotes with increased real time power backup. The funds received from the Washington State universal communications services program can be viewed as contributing to the Company's ability to perform the project of building out plant to reach more customers with voice and data services, including, without limitation, the repayment of loan funds. In the second half of 2018, the Company plans to continue to build out voice and data services to its customers. We also plan to complete our crew bunk house that allows our construction work force to be housed in Stehekin as there is no other billeting available in the summer due to the high tourist season. During the tourist season, there are no rooms to let for employees and temporary workers in Stehekin. Westgate will also continue to repay its loans.

Western Wahkiakum Telephone – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143034

In addition, the Company used support received from the Program, together with other resources, for the following projects, among other things, including repayment of loan funds:

1. Construction, including new, buried fiber optic routes within the Naselle Exchange and the Grays River Exchange, along sections of Mattson Road (for approximately 7,300 feet), Pillar Rock Road (for approximately 3,870 feet), Hoikka Road (for approximately 5,444 feet), and Eden Valley Road (for approximately 10,000 feet), for a total distance of approximately 26,614 feet. This project serves an area of approximately 5 square miles in the vicinity of the above-referenced roads, with an estimated population of 85. This project's costs came to approximately \$268,000. This project has enhanced service reliability and capacity for approximately 85 people;
2. Construction, including new, buried fiber optic routes within the Grays River Exchange, along Altoona Pillar Rock Road, (for approximately 9,722 feet), and Barr Road (for approximately 12,780 feet), for a total distance of approximately 22,552 feet. This project serves an area of approximately 7 square miles in the vicinity of the above-referenced roads with an estimated population of 87 people. This project's costs came to approximately \$241,000. It has enhance service reliability and capacity for approximately 87 people;
3. Construction, including new, buried fiber optic routes within the Grays River Exchange, along sections of Mill Road (for approximately 8,924 feet) and Larson Road (for approximately 800 feet). The costs of this project came to approximately 275,000 feet. This project has enhanced service reliability and capacity for approximately 14 people;
4. Construction, including new, buried fiber optic routes within the Grays River Exchange, along sections of Altoona Pillar Rock Road south of Eden Valley Road (for approximately 20,000 feet). This project serves an area of approximately 4 square miles in the vicinity of the above-referenced roads, with an estimated population of 41 people. This project's costs came to approximately \$246,000. This project has enhanced service reliability and capacity for approximately 41 people;
5. Construction, including new, buried fiber optic routes within the Grays River Exchange, along a section of Covered Bridge Road, (for approximately 20,000 feet).

The project's costs came to approximately \$148,000. This project has enhanced service reliability and capacity for approximately 23 people;

6. Construction, including new, buried fiber optic routes within the Grays River Exchange, along Deep River Road (for approximately 13,000 feet)., This project serves an area of approximately 2 square miles in the vicinity of the above-referenced road, with an estimated population of 56 people. This project's costs came to approximately \$256,000. This project has enhanced service reliability and capacity for approximately 56 people;
7. Construction, including new, buried fiber optic routes within the Grays River Wire Center, along a section of Deep River Road (for approximately 14,000 feet). This project serves an area of approximately 2 square miles in the vicinity of the above referenced roads, with an estimated population of 31 people. This project's costs came to approximately \$248,000. This project has enhanced service reliability and capacity for approximately 31 people; and
8. Construction included construction of new, buried fiber optic routes within the Grays River Exchange, along Deep River Road (for approximately 14,000 feet). This project serves an area of approximately 2 square miles in the vicinity of the above-referenced roads, with an estimated population of 22.

Western Wahkiakum Telephone – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151521

In January 2015, the Company received \$110,098.00 from the universal communications services program for the fiscal year ending June 30, 2015, representing the reduction in support from the CAF ICC Program.

During 2015, the Company undertook the following projects:

1. Construction, including new, buried fiber optic routes within the Grays River Exchange, along the far end of Lower Altoona Pillar Rock Rd. The total footage came to approximately 21,554 on this project. This project serves an area of approximately 3 square miles, with an estimated population of 68. This project cost approximately \$169,366. This project has enhanced service reliability and capacity for approximately 68 people in the Grays River Exchange.
2. Construction, including new, buried fiber optic routes within the Grays River Exchange, along Hoikka Road (approximately 5,444 feet) and Fossil Creek Road (approximately 6,848 feet) and Altoona Pillar Rock Rd. (approximately 14,706 feet). The total footage on this project came to approximately 26,998 feet. This project serves an area of approximately 6 square miles, with an estimated population of 75. This project cost approximately \$160,933.

This project has enhanced service reliability and capacity for approximately 75 people in the Grays River Exchange.

3. In addition to the above-described projects, the Company completed work on plowing or boring fiber drops and placing ONT's at homes, businesses and institutions in the Naselle Exchange. This project's cost came to approximately \$229,677. It will allow the Company to make fiber connections to these homes, businesses and institutions, thereby enhancing service reliability and capacity to an estimated population of 263.

The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform that those projects, including, without limitation, the repayment of loan funds.

In December 2015, the Company received \$233,070.00 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 traditional Universal Service Fund pooling process and the reduction of support under the FCC's CAF ICC Program.

During the first six months of 2016, the Company undertook the following projects:

1. Construction, including new, buried fiber optic routes within the Grays River Exchange, along Cottardi Heights Road for a total footage of fiber optic cable of approximately 7,684 feet, and along Shannon Road for a total fiber footage of approximately 13,550 feet, together with additional drops to residences. This project, which has been completed, serves an area of approximately 8 square miles with an estimated population of 85. This project cost approximately \$223,008. This project has enhanced service reliability and capacity for approximately 85 people in the Grays River Exchange.
2. Construction, including new, buried fiber optic routes within the Naselle wire center, along Salmon Creek Road (approximately 8,000 feet), Tienhhaara Road (approximately 5,256 feet), and State Route 4 (approximately 560 feet), together with installation of hand holes and two fiber distribution hubs. This project serves an area of approximately 7 square miles with an estimated population of 39. This project cost approximately \$186,420. This project has enhanced service reliability and capacity for approximately 39 people in the Naselle wire center.
3. Acquisition and installation of software-enabled switching apparatus to serve the Naselle and Grays River wire centers, to replace existing digital switching facilities. The cost of this is expected to be approximately \$232,000, plus the cost of staff training. This project is expected to serve an area of approximately 314 square miles, with an estimated population of 2,082. This project is expected to enhance service offerings, reliability and capacity for the above-mentioned population.

The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform those projects, including, without limitation, the repayment of loan funds. In the second half of 2016, the Company plans to continue the work of installing fiber ONTs, so as to allow it to cut over additional customers to the Company's fiber optic network.

Western Wahkiakum Telephone – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160982

In December 2016, the Company received \$315,562 from the universal communications services program for the fiscal year ending June 30, 2017.

During the first six months of 2017, the Company undertook:

1. Construction of new fiber optic cable (approximately 29,000 feet) and fiber optic drops to 54 premises in the Company's Naselle Exchange. This project will serve an estimated population of 130. This project cost approximately \$225,000.
2. Construction of new fiber optic cable (approximately 10,850 feet) and fiber optic drops to 42 premises in the Company's Grays River Exchange. This project will serve an estimated population of 101. This project cost approximately \$150,000.
3. Installation and maintenance of power facilities, including rectifiers, for the Company's Rosburg, East Naselle and West Naselle DLC/fiber termination huts. This project will serve an estimated population of 1,680. This project cost approximately \$11,400.

The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform those projects, including, without limitation and to the extent applicable, the repayment of loan funds.

During the second six months of 2017, the Company plans:

1. Construction of replacement fiber to the home fiber optic facilities along a portion of Covered Bridge Road due to a landslide. This project's cost is estimated to be approximately \$J 0,000.
2. Completion of construction of the new fiber optic drops in the Company's Grays River Exchange, which was begun in the first half of 2017 (see item 2. above) and is continuing into the second half of the year.
3. Completion of relocation of approximately 300 feet of network fiber optic facilities on Deep River Road due to repeated beaver damage to existing facilities. This project will serve both the Naselle Exchange and the Grays River Exchanges with an estimated combined population of 2,082. This project's cost is estimated to be \$15,000.

Western Wahkiakum Telephone – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170849

In December 2017, the Company received \$321,119 from the universal communications services program for the fiscal year ending June 30, 2018.

The Company's activities during the first six months of 2018 have included the following:

1. Purchase of Calix routing and transmission equipment, optical network terminals (ONTS), equipment housings and E7 shelves to improve quality and reliability of the Company's network. This project will ultimately serve and estimated population of 2,345. Payments to supplier Calix for this project during this period totaled \$176,005.
2. Construction - removal/replacement installation of two fiber optic distribution housings and associated fiber optic splitters adjacent to Knappton Rd. This project will serve an estimated population of 43. This project- which was commenced and completed during this period - cost approximately \$27,953.
3. Repayment of Rural Utility Service (RUS) loans for construction of fiber optic and facilities to the home and related network and switching improvements. These projects will ultimately y serve an estimated population of 2,345. Payments to RUS made in this period totaled approximately \$125,129, of which approximately \$29,593 was attributable to amounts reported in prior reports of this nature as having been spent during the periods then reported.

The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform those activities including, without limitation and to the extent applicable, the repayment of loan funds.

The Company's plans for the second six months of 2018 include the following:

1. Construction of additional ONT's as part of the Calix network upgrade. This project will serve an estimated population of 2,345. It is estimated that payments to supplier Calix during this period for this project will be approximately \$159,000.
2. Repayment of RUS loan s for construction of fiber to the home and related network and switching improvements. This project will ultimately serve estimated population of 2,345. It is estimated that such payments made during this period will be approximately \$125,000.

Whidbey Telephone – Year 1 – Funds distributed in 2014 – Report use of funds by July 1, 2015 – Docket UT-143041

The Company undertook projects in 2014 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 2014				
Project Description (Specific proposed	Estimated Start Date	Estimated Completion Date	Service Area Name	Estimated Population

improvements and/or upgrades)				
Install new BLCs at the following locations: <ul style="list-style-type: none"> • Useless Bay • Sea Lawn • Bradshaw • Windmill • Sandy Point • Mutiny Bay 	01/01/2014	12/31/2014	South Whidbey	3,076
Migrate ADSL Blades to VDSL	01/01/2014	12/31/2014	South Whidbey Point Roberts	17,252
MetaSwitch Upgrade	01/01/2014	12/31/2014	South Whidbey Point Roberts	17,252
Increase capacity of access transport network – South Whidbey ring upgrade	01/01/2014	12/31/2014	South Whidbey	15,938
Additional Fiber deployment for access transport network	01/01/2014	06/30/2014	South Whidbey	15,938
Maintain/retire/replace existing end-of-life infrastructure hardware and software	01/01/2014	12/31/2014	South Whidbey Point Roberts	17,252

Network Improvements/Upgrades – Broadband Services – For Calendar Year 2014
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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: <ul style="list-style-type: none"> • Useless Bay • Sea Lawn • Bradshaw • Windmill • Sandy Point • Mutiny Bay 	01/01/2014	12/31/2014	South Whidbey	3,076
Migrate ADSL Blades to VDSL	01/01/2014	12/31/2014	South Whidbey Point Roberts	17,252
Increase capacity of access transport network – South Whidbey ring upgrade	01/01/2014	12/31/2014	South Whidbey	15,938
Additional Fiber deployment for access transport network	01/01/2014	06/30/2014	South Whidbey	15,938
Maintain/retire/replace existing end-of-life infrastructure hardware and software	01/01/2014	12/31/2014	South Whidbey Point Roberts	17,252

The funds received from the Program can be viewed as contributing to the Company's ability to perform those projects, including, without limitation, the repayment of loan funds.

Use of Support - WAC 480-123-130(1)(b) – Additional Information

For the calendar year 2014, the Company's related gross capital expenditures and operating expenses paid, in whole or in part, with support from federal and state sources were \$1,833,307 and \$14,547,110 respectively. With regards to capital expenditures, of the total, \$1,101,844 was

used for the deployment of new Broadband Loop Carrier equipment (BLC) which benefit both voice and broadband services; \$194,520 was used for fiber deployment: \$53,932 was used for network improvements; and \$483,000 was used for various projects designed to improve the capacity, coverage and quality of voice and broadband services throughout our service area.

Whidbey Telephone – Year 2 – Funds distributed in 2015 – Report use of funds by July 1, 2016 – Docket UT-151584

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: <ul style="list-style-type: none"> • 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	01/01/2015	12/31/2015	South Whidbey	15,938

network – South Whidbey ring upgrade				
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

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: <ul style="list-style-type: none"> • 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:

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: <ul style="list-style-type: none"> • 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

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: <ul style="list-style-type: none"> • 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
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

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.

Whidbey Telephone – Year 3 – Funds distributed in 2016 – Reported use of funds by July 1, 2017 – Docket UT-160971

In December 2016, the Company received \$845,613 from the universal service communications program for the fiscal year ending June 30, 2017 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.

During the first six months of 2017 the Company undertook numerous projects that accounted for a total capital expenditure of \$2,382,403. Included in these projects was the primary project of fiber to the home in key areas of our service area, with a total expenditure during this time of \$1,908,281. Fiber to the home is strategically important because all voice services will be transported through the fiber, which improves the quality of the services, allows for increased bandwidth requirements, allows for the easy provisioning of additional telecommunications services, and over the long term will reduce the operating costs that are currently experienced with a copper-based plant while insuring greater reliability. In addition, it will allow us to offer the increased broadband speeds that our customers are requesting. Core network improvement projects including an ASR9000 upgrade which totaled \$323,676. This upgrade is a network router that aggregates voice and other telecommunications traffic and insures that it is routed internally and externally to our network in the most reliable and efficient manner. Normal telecom drop work and customer orders accounted for \$77,667. This includes drop work for new customers as well as drop work required for changes to services or facilities of existing customers. Lifecycle equipment/hardware replacement totaled \$72,779. This includes replacement equipment for end of life network hardware as well as vehicle replacement for aged fleet. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects including, without limitation, the repayment of loan funds. In the second half of 2017 the Company plans to continue its strategic focus on the fiber to the home deployment in key areas of our service area and anticipates spending an additional \$1-2 million dollars by the end of the year. In addition, further lifecycle replacement projects will be undertaken as required, as well as providing normal telecom drop work on customer orders.

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 fiber project enhances all existing services by providing greater reliability, reduced operating costs and also allows us to offer faster broadband speeds to our customers. The Company also continued to address lifecycle issues with both hardware and software, replacement of aging company fleet, which again insures the quality and performance of our existing infrastructure and insures that customer service levels can be met safely and efficiently.

Whidbey Telephone – Year 4 – Funds distributed in 2017 – Reported use of funds by July 1, 2018 – Docket UT-170860

In December 2017, the Company received \$937,632.00 from the universal communications services program for the fiscal year ending June 30, 2018.

During the first six months of 2018, the Company undertook several projects. The fiber to the home project continued into 2018 with capital spending of \$224,828. Fiber to the home is strategically important because all voice services will be transported through the fiber, which improves the quality of the services, allows for increased bandwidth requirements, allows for the easy provisioning of additional telecommunication services, and over the long term will reduce the operating costs that are currently experienced with a copper-based plant while insuring greater reliability. The Company has also continued the migration of ADSL blades to VDSL blades according to schedule, spending \$49,642 in 2018. The deployment of VDSL technology improves capacity on our existing copper plant, the quality of all services, and allows the Company to offer higher broadband speeds on existing infrastructure where fiber would be impractical to deploy.

With the extensive fiber build out in 2017 and 2018, the company has focused on the normal telecom drop work and customer orders which accounted for \$62,720. This includes drop work for new customers as well as drop work for changes to services or facilities of existing customers. The Company had operating expenditures of \$2,559,700 for the first half of 2018. These expenditures include material and labor expenses, and can be for a variety of purposes including, but not limited to, equipment repair and maintenance; service order fulfillment; customer service requests; capital expenditures; company equipment monitoring; equipment service/testing; technical support both at premise and remotely; and service calls. The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform those projects and expenditures, including, without limitation, the repayment of loan funds. In the second half of 2018 the Company plans on the continuing migration of ADSL blades to VDSL blades, lifecycle replacement projects will be undertaken as required, building out fiber to strategic areas at our Pt. Roberts, WA service area, as well as providing normal telecom drop work on customer orders.

All of the capital projects and services are designed to improve the quality, reliability and capacity of existing services, and to improve the cost effectiveness of providing those services.

YCOM Networks – Year 1 – Funds distributed in 2014 – Reported use of funds by July 1, 2015 – Docket UT-143023

In addition, the Company undertook several projects, as detailed below:

In 2014 the Company invested \$205,666 to upgrade its Outside Plant network. These upgrades provided for a platform to deliver more reliable local service and advanced telecommunications

services to customers in these exchanges. Additionally, the company invested \$323,860 in its IP Infrastructure (core upgrade and augments) plus continued the process to migrate customers to the 2012 installed soft switch.

In addition to the foregoing, the Company has invested \$10,560 in outside plant infrastructure due to the road project. With past and current growth the local state, county and city entities have begun upgrading the transportation infrastructure. With a majority of these road projects the Company finds its telecommunication infrastructure in conflict with the road design.

The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform [that/those] project(s), including, without limitation, the repayment of loan funds.

YCOM Networks – Year 2 – Funds distributed in 2015 – Reported use of funds by July 1, 2016 – Docket UT-151585

In January 2015, the Company received \$154,652 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program.

During 2015 the Company undertook the following major projects:

- Demand Drive Routines
- Clearwood Subdivision Phase I
- Clearwood Subdivision Phase II
- Broadband Upgrades
- Metaswitch Software Upgrades

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.

In December 2015, the Company received \$281,798 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.

During the first six months of 2016 the Company undertook the following major projects:

- Demand Drive Routines 1st Half
- Broadband Upgrades
- Bald Hills Road Move

- Yelm Legacy Switch Collapse

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. In the second half of 2016 the Company plans the following:

- Demand Drive Routines 2nd Half
- Clearwood Subdivision Phase II
- Metaswitch Software Upgrades

YCOM Networks – Years 3 through 5 – The company did not receive state USF funds and was not required to file any compliance reports.