

# **Stayton Cooperative Telephone Company**

## **PROGRESS REPORT ON SERVICE QUALITY IMPROVEMENT PLAN**

### **PREAMBLE**

This document is an integral part of the Company's 2015 Annual Report, as attached to Form 481. It is in compliance with §54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161) and incorporates all further clarifications identified in subsequent Reconsideration Orders, as applicable, that were in effect at the time the Annual Report was due by Rule, to the requisite regulatory authorities.

Stayton Cooperative Telephone Company ("SCTC") advises that the environment in which the Company operates is dynamic, not static. As a result, certain network targets identified in its initial 5 Year Network Improvement Plan filed in 2014, may be modified in response to regulatory decisions that have been subsequently adopted, and as their implication upon the Company's financial viability in providing the required services and service level quality became known.

Modifications to the network plan may also have been taken due to changes in technology (vendor)-driven support, weather, or emergency related contingencies.

Targets not met or changed since the initial 5 Year Plan filing are identified and reasons provided for those changes.

### **UNIVERSAL SERVICE SUPPORT RECEIVED IN 2015**

Per the Universal Service Administrative Company (USAC), as available for the period up to this filing, Stayton Cooperative Telephone Company received a total of \$871,622 (as of 3/31/15) in USF support funds. The breakdown of the funding to the point of filing is:

- \$331,790 High Cost Loop Support
- \$ 0 Local Switching Support
- \$141,834 Connect America Fund-Intercarrier Compensation Support
- \$361,875 Interstate Common Line Support
- \$36,123 Safety Net Additive

Universal Service Support funds are used to: 1) maintain, upgrade, and improve the Company's network and, 2) cover operating expenses and debt commitments as necessary to permit it to offer a high level of service for both voice and broadband within the authorized serving area.

USF support will continue to be included in the Company's current revenue accounts and forward-looking projections. Revenues, in the aggregate, are used for both capital expenditures as well as to cover operating expenses and fixed costs incurred to obtain capital from lenders. The Company does not segregate USF separately for purposes of capital and

operating expenditures; USF is expended in the same proportion as the Company's aggregated revenue amount.

The proportionate share of USF expenditures in 2015 to date is \$174,324 (20%) for CAPEX and \$697,298 (80%) for OPEX.

In the accompanying 2015 project detail, expenditures for network improvements sometimes involve service quality, coverage and capacity as an integrated improvement project and are not mutually exclusive from one another. In terms of cost, projects involving multiple qualifiers are of equal dollar equivalence. Where a project involves a single qualifier, it is so noted.

## **PROGRESS REPORT**

### **2015**

Anderson Road Project: For 2015, SCTC intends to use operating cash flow (this and all further references to “operating cash flow” includes the use of USF support funds) to deploy active Ethernet Fiber to the Home in the Anderson Road area of Sublimity Oregon.

The Anderson Road Project cost is estimated at \$599,070. The project involves placement of approximately 2.1 miles conduit/micro-duct and 3.2 route miles of fiber to 50 subscribers currently served over copper. When complete, these 50 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 18 broadband subscribers with minimum broadband speeds of 1 MB upstream/8 MB downstream. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Update: Through Q1 2015 this project still has not yet been started. Project will begin in Q2 2015 and should be completed by the end of the year.

Miscellaneous Outside Plant Construction: For 2015, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend \$100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2015 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Update: Through Q1 2015 \$94,000 has been spent on miscellaneous outside plant construction. The majority of these funds have been spent on Fiber to the Home projects at Silver Falls Highway, Coon Hollow Road, and Koenig Lane.

Central Office Expenditures: For 2015, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend \$216,000 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote

DSLAM units are capable of providing both ADSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists but fiber distribution plant does not. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Update: Through Q1 2015 \$194,000 has been spent on central office capital expenditures. This includes \$5,000 for terminating call management software for the soft switch, \$64,000 for a management router, and \$124,000 in miscellaneous installations.

General Expenditures: In 2015 the Company expects to spend \$84,000 to purchase 2 vehicles to replace aging vehicles in the company fleet, \$50,000 for various test and work equipment and \$20,000 for computer network and desktop hardware.

Update: Through Q1 2015 1 new automobile for \$34,000 was purchased. Also \$59,000 was spent on various work equipment including test sets, fiber probes, and fault locators. No computer network or desktop hardware has been purchased to date.