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Five-Year Network Improvement Plan and Progress Report
For Pattersonville Telephone Company

In its *USF/ICC Transformation Order* and subsequent Orders, the Federal Communications Commission ("FCC" or "Commission") required Eligible Telecommunications Carriers ("ETCs") to submit a five-year build-out plan in a manner consistent with Section 54.202(a)(1)(ii) of the Commission's Rules by July 1, 2014 and to submit annual progress reports thereafter.[1] In its *March 5, 2013 Order*, the FCC specified that for rate-of-return carriers, the five-year plans "should describe the carrier's network improvement plan, which should provide greater visibility into current plans to extend broadband service to unserved locations in rate-of-return service territories."[2] Pattersonville Telephone Company ("Company") is a rate-of-return carrier ETC and hereby submits its annual progress report covering any progress made during the first half of 2015 on the initial five-year network improvement plan submitted in 2014 as well as any updates to the plan made since initial submission of the plan.

I. The Company's Five-Year Network Improvement Plan

When the Commission adopted its five-year plan requirements for FCC-designated ETCs in its *2005 ETC Order*, it set forth the following criteria as to how the ETC is to describe with

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[1] *See Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-61 (rel. Nov. 18, 2011) (*USF/ICC Transformation Order*) at Para. 587; *pets. for review denied, Direct Comm. Cedar Valley, et al v. FCC 11-161*, No. 11-9900 www.ca10.uscourts.gov/opinions/11/11-9900.pdf (10th Cir. filed May 23, 2014); *see also Connect America Fund et al.*, WC Docket 10-90 *et al.*, Order, DA 12-147 (rel. Feb. 12, 2012) at Para. 5 (amending Section 54.313(a)(1) to clarify this requirement); *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Third Order on Reconsideration, FCC 12-52 (rel. May 14, 2012) at Para. 10 (changing the filing deadline for the annual reports from April 1 to July 1); *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Order, DA 13-332 (rel. Mar. 5, 2013) ("*March 5, 2013 Order*") at Para's. 4, 6-9. Delaying Five-year Plan until July 1, 2014 see WC Docket No. 10-90, Order, DA 13-1115, Para. 8 (released May 16, 2013).

[2] *March 5, 2013 Order* at Para. 9 *citing* Section 54.202(a)(1)(ii).

"specificity" the proposed improvements or upgrades to the ETC's network throughout its service area:

> (1) how signal quality, coverage, or capacity will improve due to the receipt of high-cost support throughout the area for which the ETC seeks designation; (2) the projected start date and completion date for each improvement and the estimated amount of investment for each project that is funded by high-cost support; (3) the specific geographic areas where the improvements will be made; and (4) the estimated population that will be served as a result of the improvements.[3]

In that order, the FCC clarified that service quality improvements in the five-year plan "do not necessarily require additional construction of network facilities."[4] Accordingly, the improvements listed in the plan may be projects related to the expansion of the network (one or multiple services), projects related to updating technology to accommodate new services or higher bandwidth or maintenance projects, such as to reduce trouble reports or replace outdated equipment. Additionally, in some cases, the projects may be ones that improve or upgrade the entire network rather than discrete areas within a study area or they may be ones that are ongoing projects that have no specific start and completion dates.

The instructions to the Form 481 state "[r]ecipients may describe where improvements are expected to occur by wire center or census block, as appropriate. To the extent no improvements are planned in specific areas, the five-year plan should so indicate."[5] The instructions also require that in subsequent annual progress reports, which must include the total amount of universal support received, this information must be provided "broken out separately

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[3] *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) ("*2005 ETC Order*").

[4] *Id.*

[5] Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), July 2013, Line 112.

by the amount spent on capital expenses and the amount spent on operating expenses."[6] Accordingly, the Company's five-year plan separately provides both capital expenditures and operating expenses.

A. The Company's Major Network Improvement Projects

Based upon this framework, **Appendix A** updates the Company's five-year plan submitted in 2014 and reflects Company's major network improvement projects for the calendar years 2015 through 2019[7] along with the start and completion dates, capital costs, areas and population associated with those projects.

B. How These Projects Will Improve the Network

Company anticipates upgrading and deploying additional broadband equipment, along with upgrading and rebuilding of outside plant and transport facilities. Routine maintenance projects as well as responses to emergencies will continue.

All projects are ongoing.

C. Estimated Capital Expenditures and Operating Expenses

The first table in **Appendix B** included herein specifies the capital expenditures (projects) in **Appendix A**, by Part 32 account, along with the respective year in which the expenditures are expected to occur. In the second table of **Appendix B**, the projected operating expenses are provided, including depreciation expense for both embedded plant investment and for capital expenditures, which begins when the capital expenditures are projected to be placed into service.

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[6] Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), July 2013, Line 112.

[7] The initial five-year network improvement plan covered calendar years 2015 through 2019.

II. The Company's Progress Report on its Five-Year Network Improvement Plan

Because the calendar year 2015 is still under way, Company is only able to report progress made prior to or over the first five months of 2015. Comprehensive progress made on network improvements in calendar year 2015 will be reported by Company in its 2016 ETC Annual Report. Company hereby provides the following required elements of its progress report to satisfy Form 481 reporting obligations.

A. The Amount of Universal Service Support Received by the Company

For the first few months of 2015 Company received a total of $108,115 in high cost universal service support ("USF") through the following mechanisms:

- $61,680 for Interstate Common Line Support ("ICLS");
- $46,435 for ICC CAF Support;

B. How Company Has Used USF to Improve Service Quality, Coverage and Capacity

Section 254(e) of the Communications Act of 1934, as amended requires ETCs to use Universal Service support ("USF") "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended."[8] Pursuant to Section 54.314 of the FCC's rules, in order for state-designated ETCs to receive USF for the coming year, states must annually file certifications by October 1st stating that all federal high-cost support provided to such carriers within the state "was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and

[8] 47 U.S.C. § 254(e).

services for which the support is intended."[9] ETCs not designated by a state must file similar certifications with the FCC.[10]

In its *USF/ICC Transformation Order*, the FCC clarified that prior to making the Section 254(e) certifications, states should conduct a "rigorous examination of the factual information" contained in the annual Section 54.313 reports, of which the five-year network improvement plan and annual progress reports are a part, in determining whether they can certify that carriers' support has been used and will be used only for the purpose for which the support was intended.[11] The FCC said that it would also use the reports to verify certifications filed by ETCs that are not state-designated.[12] In this context, the Commission stated, "[i]n light of the public interest obligations we adopt in this Order, a key component of this [Section 254(e)] certification will now be that support is being used to maintain and extend modern networks capable of providing voice and broadband service."[13]

Essentially, under the existing rules and processes, the federal USF received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the recovery of expenditures of rural incumbent local exchange carriers incurred in the provision, maintenance and upgrading of their provision of facilities and services for which the USF is intended. Company depends upon its receipt and utilization of federal universal service support to provide rural telephone customers with affordable and quality voice and broadband services.

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[9] 47 C.F.R. § 54.314(a).

[10] 47 C.F.R. § 54.314(b).

[11] *See USF/ICC Transformation Order* at Para. 612.

[12] *Id.*

[13] *Id.* (emphasis supplied).

Accordingly, given the critical role the network improvement plan as updated herein and the progress reports will have in the annual Section 254(e) certification process, Company's plan and progress reports demonstrate how the Company has used and will use USF not only for improvements and upgrades, but also for the provision and maintenance of the facilities and services to which the support was intended. The Company hereby reports that for the first five months of 2015, it has made the following progress on meeting targets specified in its Five-Year Network Improvement Plan and that during those months is has used the amount of USF specified under Section II(A) above solely for which the support was intended. We have made progress on maintaining and upgrading our cable and pole infrastructure.

C. Maps Depicting the Company's Network Progress

Attached to this Five-Year Network Improvement Plan as **Appendix C** is Company's map depicting the extent of the Company's network within its service area.

D. Network Improvement Targets Not Met

Because 2015 is the first year of the Company's network improvement plan, there is no previous year for which to report network improvement targets that have not been fulfilled. The Company will report such information for calendar year 2015 as well as progress towards meeting its targets for that year in its progress report submitted in 2016.

Appendix A- Five-Year Plan

Study Area Code	150116
Study Area Name	Pattersonville Telephone
Company Contact Name	Tammy Krisher
Contact Telephone Number	518-887-2121
Contact Email Address	tkrisher@ptcconnect.net

PROJECT LIST FOR 2015-2019

Project	Start Date	Completion Date	Areas	Population	Total Dollars
Outside Plant Facilities Upgrade and Maintenance	2015	2019	Entire Service Area	3,122	75,000
Broadband Equipment Upgrade and Maintenance	2015	2019	Entire Service Area	3,122	75,000
Vehicle & Work Equipment Upgrade & Maintenance	2015	2019	Entire Service Area	3,122	37,500
Totals					$ 187,500.00

Appendix B - Five-Year Plan

Study Area Code	150116
Study Area Name	Pattersonville Telephone Company
Company Contact Name	Tammy Krisher
Contact Telephone Number	518-887-2121
Contact Email Address	tkrisher@ptcconnect.net

5-Year Proposed Capital Expenditures and Operating Expenses

Regulated Capital Expenditure (CapEX) Projections							
Account	Description	2015	2016	2017	2018	2019	Total Projected CapEx 2015-2019
2111 & 2121	Land & Building	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 25,000
2112	Vehicles	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 12,500
2122-2124	Support Assets	$ -	$ -	$ -	$ -	$ -	$ -
2210	Switching Equipment	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 25,000
2232	Circuit Equipment	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 50,000
2410	Cable & Wire Facilities	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 75,000
1220	Materials & Supplies	$ -	$ -	$ -	$ -	$ -	$ -
	Total Capital Expenditures	$ 37,500	$ 37,500	$ 37,500	$ 37,500	$ 37,500	$ 187,500

Regulated Operating Expense (OpEx) Projections							
Account	*Operating Expenses*	2015	2016	2017	2018	2019	Total Operating Expenses 2015-2019
6110-6120	General Support Maintenance	$ 105,000	$ 107,100	$ 109,242	$ 109,242	$ 109,242	$ 539,826
6210	Switching Maintenance	$ 114,000	$ 116,280	$ 118,606	$ 118,606	$ 118,606	$ 586,097
6230	COE Transmission Maintenance	$ 178,000	$ 181,560	$ 185,191	$ 185,191	$ 185,191	$ 915,134
6410	Cable & Wire Facilities	$ 80,000	$ 81,600	$ 83,232	$ 83,232	$ 83,232	$ 411,296
6530	Non-Specific (Testing, Plant Op., Engineering)	$ 60,000	$ 61,200	$ 62,424	$ 62,424	$ 62,424	$ 308,472
6561-2110	General Support Depreciation	$ 28,000	$ 28,560	$ 29,131	$ 29,131	$ 29,131	$ 143,954
6561-2210	Switching Depreciation	$ -	$ -	$ -	$ -	$ -	$ -
6561-2230	Circuit Equip Depreciation	$ -	$ -	$ -	$ -	$ -	$ -
6561-2410	Cable & Wire Depreciation	$ 31,000	$ 31,620	$ 32,252	$ 32,252	$ 32,252	$ 159,377
6610-6620	Customer Operations	$ 102,000	$ 104,040	$ 106,121	$ 106,121	$ 106,121	$ 524,402
6711-6720	Corporate Operations	$ 274,000	$ 279,480	$ 285,070	$ 285,070	$ 285,070	$ 1,408,689
7240	Ad Valorem Expense	$ 60,000	$ 61,200	$ 62,424	$ 62,424	$ 62,424	$ 308,472
	Total Operating Expenses	$ 1,032,000	$ 1,052,640	$ 1,073,693	$ 1,073,693	$ 1,073,693	$ 5,305,718