

Beaver Creek Cooperative Telephone Company
PROGRESS REPORT ON SERVICE QUALITY IMPROVEMENT PLAN

OVERVIEW

This document is an integral part of Beaver Creek Cooperative Telephone Company's (Beaver Creek) 2015 Annual Report, as attached to the Form 481. It is in compliance with §54.313(a)(1) adopted in the Federal Communications Commission 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.

Beaver Creek advises the environment in which the company operates is dynamic. As a result, certain network targets identified in its initial Five Year Service Quality Improvement Plan filed in 2014 may be modified in response to regulatory decisions subsequently adopted, when their implication upon Beaver Creek's financial viability in providing the required services and service level quality became known.

Modifications to the original network/service quality improvement plan may also have occurred due to changes in technology-driven support by vendors, weather or other emergency related contingencies as well as restraints on readily available cash.

Targets not met or changed since the initial Five Year Plan filing are identified and an explanation provided for these changes.

UNIVERSAL SERVICE SUPPORT RECEIVED IN 2015

The Universal Service Administrative Company website reported a total of \$1,064,804 in Universal Service Funding (USF) received by Beaver Creek for calendar year 2015. The breakdown of the support funding for 2015 is as follows:

- o \$ (538) High Cost Loop
- o \$590,172 Interstate Common Line Support
- o \$475,170 Connect America Fund-Intercarrier Compensation Support

USF support funds are used to: 1) maintain, upgrade and improve Beaver Creek's network, and 2) to cover its operating expenses and debt commitments as necessary to permit Beaver Creek to offer a high level of service for both voice and broadband throughout its regulated ILEC service area. Per 47 C.F.R. §54.314, federal USF support, "will only be used for the provision, maintenance, and upgrading of facilities and services for which the support is intended." If investments or expenses are for service areas larger than the supported service areas, then allocations of the expenditures are required.

USF support will continue to be included in Beaver Creek's current revenue accounts and forward-looking projections. Revenues, in the aggregate, are used for both capital

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expenditures as well as operating expenses and fixed costs incurred to obtain capital from lenders when appropriate. Beaver Creek does not segregate USF for the purposes of capital and operating expenditures; USF is expended in the same proportion as other revenue sources.

The proportionate share of USF expenditures for 2015 was \$56,030 (5%) for capital projects and \$1,008,774 (95%) for operating expenses.

In the accompanying 2015 project detail, expenditures for network improvements may include 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 so noted as well as any project involving a single qualifier.

PROGRESS REPORT

Beaver Creek provides the following updates on 2015 capital expenditures as of December 31, 2015:

Monthly New Installs/Plant Additions/Maintenance

Monthly work order activity in the Beaver Creek ILEC service area includes minor construction, replacement work of main line facilities, service drop installations and installation of miscellaneous electronic equipment. Approximately 82% of the budgeted amount for 2015 was spent through December 2015.

DLC/DSLAM Battery Replacements

Six digital loop carrier (DLC) sites require battery replacements. These are noted on the map. Replacement of the existing battery strings improves service quality for both voice and broadband. Approximately 73% of the budgeted amount for 2015 was spent through December 2015.

Broadband Upgrades & Additions

Broadband upgrade work in the Beaver Creek ILEC service area includes replacement of ADSL service cards due to failure and/or age as well as the addition of gigabit Ethernet uplink hardware to assist with facility traffic loads. This will improve service quality and increase capacity for future broadband demands. Approximately 165.8% of the budgeted amount for 2015 was spent through December 2015.

Norry Court (Norry) DLC/DSLAM

The Norry Court project will replace an existing DLC/DSLAM system adjacent to an existing fiber backbone route on Beaver Creek Road. The new system will improve service quality for both voice and broadband customers as well as increasing the available broadband speeds from 1.5 Mbps downstream/1 Mbps upstream to 15 Mbps downstream/1 Mbps (or greater) upstream. Work on this project started after the May 31, 2015 and consisted of placing fiber loops in the existing fiber backbone route. This project was approximately 25% complete at the end of December 2015.

Eldorado Road Fiber Addition (Phase 1 of 3)

There was no available funding for this project in 2015. Reconsideration of the project will occur in future years as funding allows.

Network Monitoring/Remote Telemetry Unit

This 2015 project was completed in February 2015. It provides alarm event logging, reporting and alerting functionality, improving service quality for customers by enhancing network functionality for fast, accurate reporting of alarm situations.

Upgrade Existing Corporate Phone System

This 2015 project was completed in June 2015. The new phone system provide a better customer experience and enhance the corporate image of Beaver Creek in its daily business operations. Because Beaver Creek offers both regulated and non-regulated services to its customers, only 75% of the expenditure is allocated to regulated operations.

Henrici Road Storm Drainage Project

This 2015 project was completed in September 2015. This is a joint project with Clackamas County; the County has a federally funded project to improve storm drainage on Henrici Road. Beaver Creek has approximately 1,300 feet of facilities to be relocated. The project includes the relocation of some non-regulated facilities; the majority of the relocation is regulated ILEC facilities. The relocation work will be done in concert with the County's contractor to minimize cost.