



July 26, 2018

Ms. Carlotta Stauffer
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

REDACTED

RE: **20180122-TP, FCC Certification of ETCs to Receive Universal Support – Form 481**

COM _____
AFD _____
APA _____
ECO _____
ENG _____
GCL _____
IDM 2
CLK _____

Dear Ms. Stauffer:

The Northeast Florida Telephone Company (“NEFCOM”) submits to the Florida Public Service Commission (“PSC”) the attached copy of its FCC Form 481 – Carrier Annual Reporting Data Collection Form. This form is being filed with the PSC in accordance with 20180122-TP.

A copy of NEFCOM’s financial annual report that is attached to the FCC Form 481 has been redacted. NEFCOM requests that its unredacted financial statements stamped “Confidential Information – Not for Public Inspection” be treated as such in accordance with Title XXVII, F.S. 366.093.

Please contact me at 512-652-7725 or Lynette.Hampton@mossadams.com if you have any questions.

Sincerely,

Lynette Hampton
Authorized Representative for
Northeast Florida Telephone Company

RECEIVED-FPSC
2018 JUL 27 AM 10:39
COMMISSION
CLERK

T (972) 387-4300
F (972) 960-2810

8750 N. Central Expressway
Suite 300
Dallas, TX 75231

Attachments

cc: Amanda Molina – Northeast Florida Telephone Company

FCC Form 481 - Carrier Annual Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2018

<010>	Study Area Code	210335
<015>	Study Area Name	NORTHEAST FLORIDA
<020>	Program Year	2019
<030>	Contact Name: Person USAC should contact with questions about this data	Amanda Molina
<035>	Contact Telephone Number: Number of the person identified in data line <030>	9042590029 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	amolina@townes.net
	Form Type	54.313 and 54.422

(200) Service Outage Reporting (Voice) Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
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<010> Study Area Code	210335
<015> Study Area Name	NORTHEAST FLORIDA
<020> Program Year	2019
<030> Contact Name - Person USAC should contact regarding this data	Amanda Molina
<035> Contact Telephone Number - Number of person identified in data line <030>	9042590029 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

<210> For the prior calendar year, were there any reportable voice service outages?

<220>	<a>	<b1>	<b2>	<b3>	<b4>	<c1>	<c2>	<d>	<e>	<f>	<g>	<h>
	NORS Reference Number	Outage Start Date	Outage Start Time	Outage End Date	Outage End Time	Number of Customers Affected	Total Number of Customers	911 Facilities Affected (Yes / No)	Service Outage Description (Check all that apply)	Did This Outage Affect Multiple Study Areas (Yes / No)	Service Outage Resolution	Preventative Procedures

(400) Number of Complaints per 1,000 customers
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2018

<010> Study Area Code 210335

<015> Study Area Name NORTHEAST FLORIDA

<020> Program Year 2019

<030> Contact Name - Person USAC should contact regarding this data Amazda Molina

<035> Contact Telephone Number - Number of person identified in data line
<030> 9042590029 ext.

<039> Contact Email Address - Email Address of person identified in data line
<030> amolina@towhee.net

<400> Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.

<410> Complaints per 1000 customers for fixed voice

<420> Complaints per 1000 customers for mobile voice

[500] Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2018

<010>	Study Area Code	210335
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<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Amanda Molina
<035>	Contact Telephone Number - Number of person identified in data line <030>	9042590029 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	amolina@towhee.net
<515>	Certify compliance with applicable minimum service standards	

**(600) Functionality in Emergency Situations
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2018

<010> Study Area Code	210335
<015> Study Area Name	NORTHEAST FLORIDA
<020> Program Year	2019
<030> Contact Name - Person USAC should contact regarding this data	Amanda Molina
<035> Contact Telephone Number - Number of person identified in data line <030>	904259029 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	amolina@owens.net
<600> Certify compliance regarding ability to function in emergency situations	Yes
<610> Descriptive document for Functionality in Emergency Situations	210335f1610.pdf

<010> Study Area Code	210335
<015> Study Area Name	NORTHEAST FLORIDA
<020> Program Year	2019
<030> Contact Name - Person USAC should contact regarding this data	Amanda Molina
<035> Contact Telephone Number - Number of person identified in data line <030>	9042590029 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

<900> Does the filing entity offer tribal land services? (Y/N) No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(5) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

(1000) Voice and Broadband Service Rate Comparability
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2018

<010>	Study Area Code	210335
<015>	Study Area Name	NORTHEAST FLORIDA
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<030>	Contact Name - Person USAC should contact regarding this data	Amanda Molina
<035>	Contact Telephone Number - Number of person identified in data line <030>	9042590029 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 210335f11010.pdf

Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance 210335f11030.pdf

Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2018

<010>	Study Area Code	210335
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<030>	Contact Name - Person USAC should contact regarding this data	Amanda Molina
<035>	Contact Telephone Number - Number of person identified in data line <030>	9042590029 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

<1100> Certify whether terrestrial backhaul options exist (Y/N)

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

<1140> Alaska Plan rate-of-return certification (yes, no, or not applicable) of compliance with approved performance plan.

(1200) Terms and Condition for Lifeline Customers Lifeline Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
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<010>	Study Area Code	210335
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<030>	Contact Name - Person USAC should contact regarding this data	Amanda Molina
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<039>	Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

210335f11210.pdf

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221>
Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,
✓
- <1222>
Details on the number of minutes provided as part of the plan,
✓
- <1223>
Additional charges for toll calls, and rates for each such plan.
✓

(2005) Price Cap Carrier Additional Documentation Data Collection Form <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
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<010> Study Area Code	210335
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<039> Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR 54.313(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

<2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2017.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A) Name of Attached Document Listing Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

(3005) Rate Of Return Carrier Additional Documentation
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2018

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<039>	Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

CAF BLS Reporting

(3008A)	Please indicate whether new locations were deployed during the prior calendar year.	(Yes/No)	Yes
(3008B)	Please enter the number of new locations deployed in the prior calendar year associated with each of the following speed tiers.		
(3008B1)	Number of newly built locations with access to broadband speeds of at least 10/1 Mbps but less than 25/3 Mbps.		150
(3008B2)	Number of newly built locations with access to broadband speeds of 25/3 Mbps or higher.		510
(3008C)	Please provide the percentage of deployment across the entire study area.		95

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<039>	Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)		
(3010A)	Certification of Public Interest Obligations (47 CFR § 54.313(f)(1)(i))	Yes - Attach Certification	
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	210335f13010.pdf
(3012A)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
(3015)	Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3019)	If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains: Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit. If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:		<input checked="" type="checkbox"/>
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	210335f13026.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2018

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<035>	Contact Telephone Number - Number of person identified in data line <030>	9042590029 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

Financial Data Summary

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

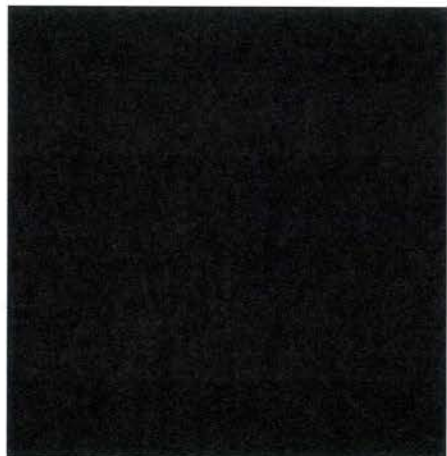
(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends



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<039>	Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations and provide a list of newly served community anchor institutions.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas.

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year. Name of Attached Document Listing Required Information

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
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<030>	Contact Name - Person USAC should contact regarding this data	Amanda Molina
<035>	Contact Telephone Number - Number of person identified in data line <030>	9042590029 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Agent / Carrier
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2018

<010> Study Area Code	210335
<015> Study Area Name	NORTHEAST FLORIDA
<020> Program Year	2019
<030> Contact Name - Person USAC should contact regarding this data	Amanda Molina
<035> Contact Telephone Number - Number of person identified in data line <030>	9042590029 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	amolina@townes.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Moss Adams LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	Moss Adams LLP
Name of Reporting Carrier:	NORTHEAST FLORIDA
Signature of Authorized Officer:	CERTIFIED ONLINE Date: 07/13/2018
Printed name of Authorized Officer:	Amanda Molina
Title or position of Authorized Officer:	Vice President of External Relations
Telephone number of Authorized Officer:	9042590029 ext.
Study Area Code of Reporting Carrier:	210335 Filing Due Date for this form: 07/16/2018
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	NORTHEAST FLORIDA
Name of Authorized Agent Firm:	Moss Adams LLP
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE Date: 07/13/2018
Name of Authorized Agent Employee:	Rory Lydon
Title or position of Authorized Agent or Employee of Agent:	Assurance Manager
Telephone number of Authorized Agent or Employee of Agent:	2099556133 ext.
Study Area Code of Reporting Carrier:	210335 Filing Due Date for this form: 07/16/2018
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

Carrier Name: Northeast Florida Telephone Company
Carrier SPIN: 143001439
Carrier SAC: 210335
Operating State: Florida

Line 610: Ability to Function in Emergency Situations

Northeast Florida Telephone Company (“the Company”) is able to function in emergency situations for both voice and broadband service. Its standby generators, battery back-up, and traffic management capabilities support both voice and broadband network equipment should an emergency situation occur. An emergency control center is established at the Company’s business office, which is equipped with a back-up power generator and a wireless telephone set. Depending upon the severity and type of emergency and the safety of the emergency location, a control center may be established at the site of the event.

The Company has a reasonable amount of back-up power to ensure functionality without an external power source. In case of power outages, batteries in the central office will last on average eight hours depending on how many lines (AMP load) are served at that particular location. The stand-by generator has 24-hour diesel capacity and small generators are available to be put on smaller concentrators if power is lost. The small generators have to be refueled every few hours.

The Company is able to reroute traffic around damaged facilities and does so via redundant routes and/or fiber rings to reroute local traffic. The Company is also capable of managing traffic spikes resulting from emergency situations as the switching facilities in place are capable of handling full customer base call loads.

The Company has an Emergency Operations Plan (“EOP” or “the Plan”) that addresses the requirements for continuity of service and systematic restoration of service after loss of service due to an emergency. The EOP is administered and maintained by a member of senior management of the parent company, Townes Telecommunications, Inc. It is reviewed annually to ensure that each applicable section is accurate and any changes or updates to the Plan are made on a timely basis.

The Company’s Emergency Director conducts training with employees and is responsible for ensuring that all new employees are provided a 30-minute overview of the Plan as part of their orientation. Specific supervisory personnel receive additional intense instructions regarding special areas of the Plan. The Plan established an Emergency Committee made up of senior management and key company personnel, who upon notification by the Emergency Director that a potential emergency exists, convene to declare an emergency, notify affected parties and assume control of restoration of service efforts.

LINE 1010 – VOICE SERVICES RATE COMPARABILITY

The Wireline Competition Bureau's 2018 reasonable comparability benchmark for voice services is \$45.38, which includes the federal subscriber line charge ("SLC").¹

As of January 1, 2018, the single-line residential local rate in all of the exchanges served by Northeast Florida Telephone Company ("the Company") was \$14.00. When the federal SLC (\$6.50) is included, the total rate was \$20.50. Therefore, the Company's pricing of fixed voice services is less than the reasonable comparability benchmark of \$45.38.

¹ *Wireline Competition Bureau Announces Results of 2018 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations for all United States Carriers, Including Carriers in Alaska*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 9339 (2017).

LINE 1030 – BROADBAND SERVICES RATE COMPARABILITY

As of January 1, 2018, Northeast Florida Telephone Company was charging a residential rate of \$49.95 for broadband providing 10 Mbps download, 1 Mbps upload, and an unlimited usage allowance. This rate is lower than \$88.13, which is the 2018 reasonable comparability benchmark for the same offering established by the Wireline Competition Bureau.¹

¹ See, Wireline Competition Bureau, Reasonable Comparability Benchmark Calculator, <https://www.fcc.gov/general/reasonable-comparability-benchmark-calculator>.

Financial Statements

Northeast Florida Telephone Company

December 31, 2017 and 2016



**GRIER, REEVES
& LAWLEY P.C.**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Working to make things better for our firm, our clients, our community and our world

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northeast Florida Telephone Company

We have audited the accompanying financial statements of **NORTHEAST FLORIDA TELEPHONE COMPANY**, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of earnings, retained earnings and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Northeast Florida Telephone Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, Northeast Florida Telephone Company is one of several subsidiaries of Townes Tele-Communications, Inc., and there are significant related-party transactions. The Company allocates costs incurred by Townes Tele-Communications, Inc., and other subsidiaries to the appropriate operating expense categories of each subsidiary. Our opinion is not modified with respect to this matter.

Dina, Reuss & Lawley, P.C.

July 11, 2018

NORTHEAST FLORIDA TELEPHONE COMPANY

Balance Sheets
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents		
Receivables		
Subscriber accounts receivable, less allowance of [REDACTED] (2017) and [REDACTED] (2016)		
Access revenue receivable		
Inventories of materials and supplies		
Other current assets		
Total current assets		
Property and equipment, net		
Other assets		
Advances to related parties		
Deferred tax asset		
Other		
Total other assets		
Total assets		
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable, including reimbursement to NECA of [REDACTED] (2017) and [REDACTED] (2016)		
Accrued expenses		
Total current liabilities		
Deferred tax liability		
Stockholder's equity		
Common stock, [REDACTED] par value, [REDACTED] shares authorized, [REDACTED] shares issued and outstanding		
Additional paid-in capital		
Retained earnings		
Total stockholder's equity		
Total liabilities and stockholder's equity		

See accompanying notes to financial statements.

NORTHEAST FLORIDA TELEPHONE COMPANY

Statements of Earnings
 Years Ended December 31, 2017 and 2016

	2017	2016
Net operating revenues	[REDACTED]	[REDACTED]
Local network services		
Network access services		
Miscellaneous revenue		
Total operating revenues		
Operating expenses		
Plant specific operations		
Plant nonspecific operations		
Depreciation		
Customer operations		
Corporate operations		
Operating taxes		
Total operating expenses		
Loss from operations		
Other income (expense)		
Gain on sale of assets		
Other expense		
Other income (expense), net		
Loss before income taxes		
Income tax benefit		
Net loss		

See accompanying notes to financial statements.

NORTHEAST FLORIDA TELEPHONE COMPANY

Statements of Retained Earnings
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Balance at January 1		
Net loss		
Balance at December 31		

See accompanying notes to financial statements.

NORTHEAST FLORIDA TELEPHONE COMPANY

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Cash received from customers		
Cash paid to suppliers and employees		
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of property and equipment		
Proceeds from sale of property		
Related party advance, net		
Net cash provided by investing activities		
Net increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year		
Cash and cash equivalents, end of year		
Noncash investing activities		
Transfer of equipment from related party		
Reconciliation of Net Loss to Net Cash Used in Operating Activities		
Net loss		
Adjustments to reconcile net loss to net cash used in operating activities		
Bad debt (recoveries), net		
Deferred income tax		
Depreciation		
Income taxes included in advance to related party		
Gain on sale of assets		
(Increase) decrease in assets		
Accounts receivable		
Inventories		
Other current assets		
Increase (decrease) in liabilities		
Accounts payable		
Accrued expenses		
Total adjustments		
Net cash used in operating activities		

See accompanying notes to financial statements.

NORTHEAST FLORIDA TELEPHONE COMPANY

Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Northeast Florida Telephone Company (NEFTC or the Company), a Florida corporation, is wholly owned by NEFCOM, Inc., which is a wholly owned subsidiary of Townes Tele-Communications, Inc., (Parent) and is primarily engaged in providing local telephone service and high-speed internet to individuals and businesses in Baker County, Florida. The Company also provides interexchange services to long distance telephone companies and, as a member of the National Exchange Carriers Association (NECA), participates in a cost-sharing pool with other telephone companies throughout the nation.

Accounting Method

The Company prepares financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) applicable to rate-regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting principles prescribed by the Federal Communications Commission (FCC) under part 32, *Uniform System of Accounts for Telecommunications Companies*.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly-liquid instruments purchased with original maturities of three months or less.

Accounts Receivable

The accompanying financial statements present accounts receivable at the amount management expects to collect on outstanding balances. The Company extends credit on a short-term basis; therefore, accounts receivable do not bear interest. Management reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, economic conditions and historical performances. The Company's policy is to suspend telephone service on delinquent subscriber accounts unpaid by the 30th of the following month.

Receivables from exchange carriers are typically outstanding from 30 to 60 days before the Company receives payments. The Company charges delinquent accounts to uncollectible expense when management determines that the Company will not collect the account.

Inventories of Materials and Supplies

Inventory consists of fiber optic cable, metallic cable, telephone equipment and materials related to the telecommunications industry. The accompanying balance sheets reflect inventories at the lower of average cost or net realizable value.

Property, Equipment and Depreciation

The Company records property and equipment at original cost and capitalizes major improvements and betterments. It charges the cost of maintenance and repairs to operating expenses when incurred.

The Company calculates depreciation using the straight-line method over the assets' estimated useful lives as follows:

	<u>Life</u>
Buildings and improvements	36 - 45
Office equipment and other	5 - 19
Switching equipment	18
Circuit equipment	9 - 10
Outside plant	13 - 48

NORTHEAST FLORIDA TELEPHONE COMPANY

Notes to Financial Statements
December 31, 2017 and 2016

In accordance with the composite group depreciation method, when the Company retires a portion of its depreciable property and equipment in the ordinary course of business, it charges the original cost to accumulated depreciation.

Income Taxes

The financial statements provide for the tax effects of reported transactions and consist of taxes currently due plus deferred taxes. The Company recognizes deferred taxes for differences between the bases of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets (use of different depreciation methods and lives).

The Company will recognize interest and penalties, if any, related to unrecognized income tax benefits in interest expense. There are no unrecognized income tax benefits included in the balance sheets.

Revenue and Cost Recognition

The Company bills monthly service fees derived from local wireline services one month in advance but recognizes the revenue in the month that it provides the service.

In general, the billings for usage sensitive revenues, such as access (revenues earned for originating/terminating long distance calls) and long distance revenues, are on a per-minute basis. NEFTC bills these in arrears and recognizes the revenue in the month the Company provides the service.

Interstate access revenues also include settlements based on the Company's participation in the revenue pools administered by NECA, who determines settlement revenues based on annual separations and interstate access cost studies that the Company prepared subsequent to year end. The Company estimates the related revenues based on its costs and NECA pool earnings and on other

relevant assumptions pertaining to the cost study. The studies are subject to a 24-month pool earnings adjustment period and a review by NECA.

The wireline Universal Service Fund (USF) revenue compensates the Company for the high cost of providing rural telephone service. Federal USF revenue includes funds received for high cost loop support (HCLS), local switching support (LSS) prior to July 1, 2012, interstate common line support (ICLS), Connect America Fund (CAF) and other miscellaneous programs. HCLS and ICLS are based on the Company's current relative level of operating expense and plant investment. Support from the CAF is based on historical frozen amounts related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues that together make up the CAF base. The CAF base will be reduced by 5 percent each year in the determination of CAF support.

Regulation

Services are subject to the following rate regulation:

- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Federal USF revenues are administered by Universal Service Administrative Company (USAC) based on the rules established by the FCC.
- The Florida legislature deregulated retail telecommunications in 2013. The state PSC continues to regulate wholesale intrastate access services. The FCC has assumed preemptive authority to regulate the rates for intrastate terminating switched access services and is considering also regulating the intrastate originating switched access services.

NORTHEAST FLORIDA TELEPHONE COMPANY

Notes to Financial Statements
December 31, 2017 and 2016

- Other sources of revenue are not rate regulated and include long distance and customer equipment sales, directory or other incidental services.

All operating expenses and telecommunications plant relate primarily to wireline revenues. However, some of these costs relate jointly to regulated and non-regulated services. For interstate access settlement, USF, rate case and other regulatory purposes, the Company removes the portion of these common costs related to non-regulated activities in accordance with Part 64 of the FCC rules in order to ensure that regulated revenues are based on costs of providing regulated services.

The FCC reformed intercarrier compensation and Universal Service mechanisms. The majority of the new rule took effect, subject to various transition provisions, on July 1, 2012:

- Limitations on capital expenditures and operating expenses recoverable from the USF
- Limitations on the amount of support received per line
- Benchmarks for minimum local rates charged to end users by recipients of support
- The establishment of the access recovery charge billed to end users
- The elimination of LSS
- The establishment of CAF, a new funding mechanism for investment and expenses related to the switching and transport functions
- The structured reduction of carrier access rates charged by the Company to other carriers using its network to complete long distance calls

Taxes Enforced by Governmental Authorities

The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. The Company charges and

collects these specific taxes to/from customers and subsequently remits them to the appropriate taxing authority. The accompanying financial statements account for these on a net basis and exclude the taxes from revenues.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	2017	2016
Land		
Buildings and improvements		
Office equipment and other		
Switching equipment		
Circuit equipment		
Outside plant		
Accumulated depreciation		
Net plant in service		
Construction in process		
Property and equipment, net		

NOTE 3 - INCOME TAXES

The Company classifies all deferred tax assets and liabilities as noncurrent.

The deferred tax assets (liabilities) consist of the following:

	2017	2016
Federal		
State		
Deferred tax asset (liability)		

Deferred tax assets (liabilities) presented in the accompanying balance sheets relate to differences in calculating depreciation of fixed assets for federal income tax purposes. To calculate deferred taxes on net temporary differences, NEFTC uses a 21 percent federal tax rate and a 5.5 percent state tax rate. State deferred tax assets are shown net of a valuation allowance of [REDACTED] (2017) and [REDACTED] (2016) for net operating losses and

NORTHEAST FLORIDA TELEPHONE COMPANY

Notes to Financial Statements
December 31, 2017 and 2016

contributions carryovers for which realization is uncertain. The Company has a net operating loss for Florida income tax of approximately [REDACTED] available for carryforward. Net operating losses will expire from 2028 through 2037.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law with significant modifications to the Internal Revenue Code. The primary change for the Company was a reduction of the corporate income tax rate from 34% to 21%. In accordance with ASC No. 740, the impact of a change in tax law is recorded in the period of enactment. The Company continues to analyze certain aspects of the Act resulting in refinement of the calculations which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amount. The provisional amount recorded related to the re-measurement of the Company's deferred tax balance was [REDACTED].

The components of income tax expense (benefit) are:

	2017	2016
Current		
Federal		
State		
Deferred		
Federal		
State		

The Company joins in a consolidated federal income tax return with the Parent and other affiliated companies. The Company files its own state income tax return. The income tax benefit represents the estimated tax expense on the separate return basis.

Federal income benefit is included in advances to related parties on the balance sheets and total [REDACTED] (2017) and [REDACTED] (2016).

NOTE 4 - PATRONAGE CAPITAL

As a member of the Rural Telephone Finance Cooperative (RTFC), the Company is entitled to capital credit allocations based on its volume of business with RTFC. This allocation is distributed in the form of cash and patronage capital. The retirement cycle for the unretired patronage capital certificates is currently 25 years. RTFC patronage capital certificates at December 31, 2017 and 2016, total [REDACTED]. The Company currently does not have any business volume with RTFC.

NOTE 5 - RETIREMENT PLANS

The Company participates with the Parent in a multi-employer defined benefit pension plan of the National Telephone Cooperative Association (NTCA) Retirement and Security Program (the Program) that covers substantially all employees of the Company. The Parent funds the pension plan for the Company in conformity with minimum funding requirements and maximum deductible limitations. The Company's contributions to the plan totaled [REDACTED] in 2017 and [REDACTED] in 2016.

The Company also maintains a 401(k) plan (the Plan). All employees who have at least six months of service with the Company are eligible to make elective contributions to the Plan. The Company does not contribute to the Plan.

NOTE 6 - OPERATING LEASES

The Company leases equipment from a related party. Lease expense included in operations for 2017 and 2016 totaled [REDACTED] and [REDACTED] 6, respectively. Future minimum lease payments will be [REDACTED] for 2018.

NOTE 7 - RELATED-PARTY TRANSACTIONS

The Company is a member of a group of companies affiliated through common ownership (Group). All members of the Group

NORTHEAST FLORIDA TELEPHONE COMPANY

Notes to Financial Statements
December 31, 2017 and 2016

are controlled subsidiaries of the Parent. Townes Tele-Communications Services Corporation (TTSC), a member of the Group, provides accounting, human resources, regulatory and administrative services to other Group members. The Parent also provides services to the Group through a management agreement. TTSC allocates costs to the appropriate operating expense categories of each Group member, including the Company. Accounts payable includes a payable to TTSC of [REDACTED] (2017) and [REDACTED] (2016). Advances to related parties include advances to TTSC totaling [REDACTED] (2017) and [REDACTED] (2016), with no terms.

NEFCOM, Inc., is a member of the Group and owns 100 percent of Northeast Florida Telephone Company. Advances to related parties include advances to NEFCOM, Inc., of [REDACTED] at December 31, 2017 and 2016.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

The Company grants credit to its customers, considerably all of whom are residents of the service area. The Company also issues credit to the major long distance telephone companies for access to its telephone network. After reasonable collection efforts, management writes off balances that remain outstanding.

The Company maintains cash deposits with banks that routinely exceed federally insured limits. The Company periodically assesses the financial condition of the institutions and believes that the risk of loss is minimal.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Parent pledged the Company's assets and common stock in accordance with its loan agreement.

NOTE 10 - LITIGATION

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business operations. In the opinion of management, the amount of liability, if any, with respect to these actions would not materially affect the financial statements of the Company.

NOTE 11 - RECLASSIFICATION

Certain reclassifications have been made to the December 31, 2016, financial statements to conform to the subsequent year's presentation. Such reclassification had no effect on net loss.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.