

## EXHIBIT 2

### AFFILIATED TRANSACTIONS

Pend Oreille Telephone Company and its parent, Rural Telephone Company, have a service agreement in which Rural Telephone provides management and operational service to Pend Oreille Telephone Company. These services are direct assigned to Pend Oreille as the expenses are incurred. Rural provided \$ 269,879 and \$288,845 of such services in 2017 and 2016, respectively.

Rural Telephone Company owes Pend Oreille Telephone Company at the 2017 year end \$635,731. This is a short term loan and was used mainly for tax deposit purposes.

Pend Oreille leased vehicles and equipment from an affiliate, Little Valley Elk Ranch, in the amount of \$ 14,526 in both 2017 and 2016. In addition, Little Valley Elk Ranch owes Pend Oreille \$ 173,101 for a loan made from Pend Oreille to Little Valley Elk Ranch in 2008. This amount is for principal and interest accrued since that date.

Pend Oreille Telephone owes Nehalem Telecommunications \$ 55209 for a loan that was made in 2012. This loan will be paid before year end 2018

Exhibit 3, Demonstration of Risk  
Supporting Financial & Statistical Data  
for Exhibit 3

Exhibit 3 Reference	Description	(A) 2022	2021	2020	2019	2018	(B) 2017	(C) Total
Page 1 Par. 1	Projected Regulated Plant Additions for 2017 - 2022	\$ 1,725,000	\$ 2,660,000	\$ 5,035,000	\$ 5,640,000	\$ 2,385,000	\$ 393,392	\$ 17,838,392
Par. 1	Loop Related CapEx (ACAM)	\$ 1,500,000	\$ 2,115,000	\$ 4,200,000	\$ 5,250,000	\$ 2,225,000	\$ 306,332	\$ 15,596,332
	Network Backbone CapEx (WA USF)	\$ 225,000	\$ 545,000	\$ 835,000	\$ 390,000	\$ 160,000	\$ 87,060	\$ 2,242,060
	Plant Specific	696,276	682,659	669,308	656,220	643,388	630,808	
	Plant Non-Specific	1,456,755	1,365,261	1,199,280	928,511	771,671	788,998	
	Customer Operations	178,451	174,917	171,452	168,055	164,724	161,459	
	Corporate Operations	900,852	883,175	865,846	848,856	832,199	815,869	
	Operating Taxes	111,559	109,567	105,919	99,719	93,068	93,159	
	Total Operating Expenses Excluding Taxes	\$ 3,343,892	\$ 3,215,579	\$ 3,011,804	\$ 2,701,360	\$ 2,505,050	\$ 2,490,293	
	Less: Depreciation & Amortization	\$ (1,107,342)	\$ (1,022,699)	\$ (863,435)	\$ (599,251)	\$ (448,867)	\$ (472,524)	
	Total Operating Expenses excluding Depreciation	\$ 2,236,550	\$ 2,192,880	\$ 2,148,369	\$ 2,102,109	\$ 2,056,183	\$ 2,017,769	
	Annual Expense Increase	\$ 43,670	\$ 44,511	\$ 46,260	\$ 45,926	\$ 38,414		\$ 218,781
Page 1 Par. 2	Regulated Revenue Decrease from 2011 to 2017 and Projected Regulated Revenue from 2018 - 2022	\$ 3,400,097	\$ 3,421,819	\$ 3,435,606	\$ 3,471,557	\$ 3,510,029	\$ 3,646,494	
	Less ACAM	\$ (1,628,378)	\$ (1,628,378)	\$ (1,628,378)	\$ (1,628,378)	\$ (1,628,378)	\$ (1,628,378)	
	Other Regulated Revenues	\$ 1,771,719	\$ 1,793,441	\$ 1,807,228	\$ 1,843,179	\$ 1,881,651	\$ 2,018,116	\$ (246,397)
Page 1 Par. 1		After 2022	2021	2020	2019	2018	2017	Total
		\$ 217,782	\$ 132,500	\$ 165,100	\$ 199,800	\$ 190,000	\$ 180,391	\$ 1,085,573
Page 1 Par. 3	Access Line Decrease from 2011 to 2017	(A) 2017	(B) 2011	(A) - (B) Decrease	(D) 2014	(E) 2013	(F) 2012	(G) Total
		1,424	1,772	(348)	-19.6%			
Page 2 Par. 1	Reduction in base line revenue beginning 7/1/2012 and including reduction beginning 7/1/2017*	(41,937.50)	(44,144.73)	(46,468.14)	(48,913.83)	(51,488.24)	(54,198.15)	(287,150.59)

\* Each year is for the period 7/1/Current Yr to  
6/30/Following Yr (Example 7/1/2017-6/30/2018)  
for 2017.

\*\* Excludes CAF Support

-12.21%

State USF Petition Filing Requirement - WAC 480-123-110(e)  
 Prior and Current Year Broadband and Gross Capital Expenditures

Exhibit 4.1 - Statistics

Company Name: (Below)  
 Pend Oreille Telephone Company

Description	Prior Year End of Yr. Balance - 2016	Current Year End of Yr. Balance - 2017	Difference	% Change
<b>Broadband Connections:</b>				
Residential	693	704	11	1.6%
Business	78	84	6	7.7%
<b>Total</b>	<b>771</b>	<b>788</b>	<b>17</b>	<b>2.2%</b>
<b>Gross Regulated Capital Expenditures**:</b>	<b>2016</b>	<b>2017</b>	<b>Difference</b>	<b>% Change</b>
<b>Total Annual Amount</b>	<b>\$632,533</b>	<b>\$393,392</b>	<b>(\$239,141)</b>	<b>-37.8%</b>

**NOTE: IF THE COMPANY DESIRES TO FILE THIS SCHEDULE AS CONFIDENTIAL, PLEASE MARK AS CONFIDENTIAL PER 480-07-160. (The header and footer is no longer marked as confidential as some companies do not file this report as confidential).**

**\*\* - NOTE: THIS IS A CHANGE FROM LAST YEAR IN WHICH NONREGULATED CAPITAL EXPENDITURES WERE INCLUDED DUE TO INCONSISTENCIES IN REPORTING. STAFF IS REQUESTING ONLY REGULATED CAPITAL EXPENDITURES. IF THE COMPANY HAS INCURRED LARGE NONREGULATED CAPITAL EXPENDITURES IN THE REPORTING YEAR, IT MAY NOTE BELOW.**

STATE USF FILING  
FINANCIAL TEMPLATE  
NON-"S CORP" COMPANIES

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
Prior Year Balance Sheet

Company Name: (Below)  
Pend Oreille Telephone Company

ASSETS	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	1,008,470		1,008,470	25. Accounts Payable	182,640		182,640
2. Cash-RUS Construction Fund			0	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	245,213		245,213
a. Telecom, Accounts Receivable	0		0	28. Customer Deposits	5,880		5,880
b. Other, Accounts Receivable	171,601		171,601	29. Current Mat. L/T Debt	171,457		171,457
c. Notes Receivable	84,039		84,039	30. Current Mat. L/T Debt Rur. Dev.	0		0
4. Non-Affiliates:				31. Current Mat. - Capital Leases	0		0
a. Telecom, Accounts Receivable	41,103		41,103	32. Income Taxes Accrued	0		0
b. Other Accounts Receivable	221,039		221,039	33. Other Taxes Accrued	0		0
c. Notes Receivable	0		0	34. Other Current Liabilities	64,078		64,078
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	689,268	0	689,268
6. Material-Regulated	223,710	(7,895)	215,815	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes	999,177		999,177
8. Prepayments			0	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	70,867		70,867	38. Funded Debt-FFB Notes	266,965		266,965
10. Total Current Assets (1 Thru 9)	1,820,829	(7,895)	1,812,934	39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	0		0
<b>NONCURRENT ASSETS</b>				41. Premium (Discount) on L/T Debt	0		0
11. Investment in Affiliated Companies				42. Recquired Debt	0		0
a. Rural Development	0		0	43. Obligations Under Capital Lease	0		0
b. Nonrural Development	0		0	44. Adv. From Affiliated Companies	0		0
12. Other Investments				45. Other Long-Term Debt	0		0
a. Rural Development	0		0	46. Total Long-Term Debt (36 thru 45)	1,266,142	0	1,266,142
b. Nonrural Development	252,958		252,958	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
13. Nonregulated Investments (B1)		68,392	68,392	47. Other Long-Term Liabilities	381,721	(3,791)	377,930
14. Other Noncurrent Assets	780		780	48. Deferred Income Taxes	0		0
15. Deferred Charges			0	49. Other Deferred Credits (D)	0		0
16. Jurisdictional Differences			0	50. Other Jurisdictional Differences	0		0
17. Total noncurrent Assets (11 thru 16)	253,738	68,392	322,130	51. Total Other Liab. & Def. Credits (47 thru 50)	381,721	(3,791)	377,930
				<b>EQUITY</b>			
<b>PLANT, PROPERTY AND EQUIPMENT</b>				52. Cap. Stock Outstanding & Subscribed	2,666,346		2,666,346
18. Telecom Plant-in-Service	17,386,766	(172,656)	17,214,110	53. Additional Paid-in-Capital	0		0
19. Property Held for Future Use	1,250	(1,250)	0	54. Treasury Stock	0		0
20. Plant Under Construction	187,714		187,714	55. Membership and Capital Certificates	0		0
21. Plant Adj., Nonop Plant & Goodwill			0	56. Other Capital	0		0
22. Accumulated Depreciation (CR.)	(14,974,712)	113,409	(14,861,303)	57. Patronage Capital Credits	(307,892)	3,791	(304,101)
23. Net Plant (18 thru 21, less 22)	2,601,018	(60,497)	2,540,521	58. Retained Earnings or Margins (B2)	2,358,454	3,791	2,362,245
				59. Total Equity (52 thru 58)	4,675,585	0	4,675,585
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>4,675,585</b>	<b>0</b>	<b>4,675,585</b>	<b>60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>4,675,585</b>	<b>0</b>	<b>4,675,585</b>

Footnotes:

- (A) - As reported on RUS Form 479
- (B) - Part 64 adjustments from regulated to nonregulated.
- (C) - Adjusted Balance after Part 64

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

State USF Petition Filing Requirement - WAC 480-123-110(1)(e)  
 Current Year Balance Sheet

Company Name: (Below)  
 Pend Oreille Telephone Company

ASSETS	Balance End of Year 2017 (A)	Part 64 Adj to NonReg 2017 (B)	Adj. Balance End of Year 2017 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2017 (A)	Part 64 Adj to NonReg 2017 (B)	Adj. Balance End of Year 2017 (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	1,309,923		1,309,923	25. Accounts Payable	268,919		268,919
2. Cash-RUS Construction Fund	865		865	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	287,151		287,151
a. Telecom, Accounts Receivable	0		0	28. Customer Deposits	4,850		4,850
b. Other Accounts Receivable	810,957		810,957	29. Current Mat. L/T Debt	180,391		180,391
c. Notes Receivable	85,735		85,735	30. Current Mat. L/T Debt Rur. Dev.	0		0
4. Non-Affiliates:				31. Current Mat. - Capital Leases	0		0
a. Telecom, Accounts Receivable	35,663		35,663	32. Income Taxes Accrued	0		0
b. Other Accounts Receivable	252,218		252,218	33. Other Taxes Accrued	0		0
c. Notes Receivable	0		0	34. Other Current Liabilities	60,516		60,516
5. Interest and Dividends Receivable	0		0	35. Total Current Liabilities (25 thru 34)	801,827	0	801,827
6. Material-Regulated	227,782		227,782	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated	11,492		11,492	36. Funded Debt-RUS Notes	890,488		890,488
8. Prepayments	0		0	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	67,322		67,322	38. Funded Debt-FFB Notes	0		0
10. Total Current Assets (1 Thru 9)	2,801,957	0	2,801,957	39. Funded Debt-Other	195,085		195,085
				40. Funded Debt-Rural Develop. Loan	0		0
<b>NONCURRENT ASSETS</b>				41. Premium (Discount) on L/T Debt	0		0
11. Investment in Affiliated Companies				42. Recquired Debt	0		0
a. Rural Development	0		0	43. Obligations Under Capital Lease	0		0
b. Nonrural Development	0		0	44. Adv. From Affiliated Companies	0		0
12. Other Investments	0		0	45. Other Long-Term Debt	0		0
a. Rural Development	0		0	46. Total Long-Term Debt (36 thru 45)	1,085,573	0	1,085,573
b. Nonrural Development	232,647		232,647	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
13. Nonregulated Investments (B1)	15,872	(56,065)	(40,193)	47. Other Long-Term Liabilities	231,579	36,477	268,056
14. Other Noncurrent Assets	0		0	48. Deferred Income Taxes	0		0
15. Deferred Charges	610		610	49. Other Deferred Credits (D)	205,953		205,953
16. Jurisdictional Differences	0		0	50. Other Jurisdictional Differences	437,532	36,477	474,009
17. Total noncurrent Assets (11 thru 16)	249,129	(56,065)	193,064	51. Total Other Liab. & Def. Credits (47 thru 50)	2,666,346		2,666,346
<b>PLANT, PROPERTY AND EQUIPMENT</b>				52. Cap. Stock Outstanding & Subscribed	0		0
18. Telecom Plant-in-Service	17,689,008	(27,480)	17,661,528	53. Additional Paid-in-Capital	0		0
19. Property Held for Future Use	1,250	(1,250)	0	54. Treasury Stock	0		0
20. Plant Under Construction	70,337		70,337	55. Membership and Capital Certificates	0		0
21. Plant Adj., Nonop Plant & Goodwill	72,321		72,321	56. Other Capital	0		0
22. Accumulated Depreciation (CR.)	(15,449,090)	84,795	(15,364,295)	57. Patronage Capital Credits	443,634	(36,477)	407,157
23. Net Plant (18 thru 21, less 22)	2,383,826	56,065	2,439,891	58. Retained Earnings or Margins (B2)	3,109,980	(36,477)	3,073,503
				59. Total Equity (52 thru 58)	5,434,912	0	5,434,912
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>5,434,912</b>	<b>0</b>	<b>5,434,912</b>	<b>60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>5,434,912</b>	<b>0</b>	<b>5,434,912</b>

Footnotes:  
 (A) - As reported on RUS Form 479  
 (B) - Part 64 adjustments from regulated to nonregulated.  
 (C) - Adjusted Balance after Part 64

Footnotes:  
 (B1) - Part 64 offset to nonreg investment  
 (B2) - Part 64 offset to retained earnings  
 (D) - Excludes deferred taxes

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
Prior and Current Year Balance Sheet

Company Name: (Below)  
Pend Oreille Telephone Company

ASSETS	Adjusted Prior Year Balance 2016	Adjusted Current Year Balance 2017	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2016	Adjusted Current Year Balance 2017
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	1,008,470	1,309,923	25. Accounts Payable	182,640	268,919
2. Cash-RUS Construction Fund	0	865	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	245,213	287,151
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	5,880	4,850
b. Other Accounts Receivable	171,601	810,957	29. Current Mat. L/T Debt	171,457	180,391
c. Notes Receivable	84,039	85,735	30. Current Mat. L/T Debt Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat. - Capital Leases	0	0
a. Telecom, Accounts Receivable	41,103	35,663	32. Income Taxes Accrued	0	0
b. Other Accounts Receivable	221,039	252,218	33. Other Taxes Accrued	0	0
c. Notes Receivable	0	0	34. Other Current Liabilities	64,078	60,516
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	669,268	801,827
6. Material-Regulated	215,815	227,782	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	0	11,492	36. Funded Debt-RUS Notes	999,177	890,488
8. Prepayments	0	0	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	70,867	67,322	38. Funded Debt-FFB Notes	0	0
10. Total Current Assets (1 Thru 9)	1,812,934	2,801,957	39. Funded Debt-Other	266,965	195,085
			40. Funded Debt-Rural Develop. Loan	0	0
<b>NONCURRENT ASSETS</b>			41. Premium (Discount) on L/T Debt	0	0
11. Investment in Affiliated Companies			42. Reacquired Debt	0	0
a. Rural Development	0	0	43. Obligations Under Capital Lease	0	0
b. Nonrural Development	0	0	44. Adv. From Affiliated Companies	0	0
12. Other Investments			45. Other Long-Term Debt	0	0
a. Rural Development	0	0	46. Total Long-Term Debt (36-45)	1,266,142	1,085,573
b. Nonrural Development	252,958	232,647	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
13. Nonregulated Investments	68,392	(40,193)	47. Other Long-Term Liabilities	0	0
14. Other Noncurrent Assets	0	0	48. Deferred Income Taxes	377,930	268,056
15. Deferred Charges	780	610	49. Other Deferred Credits	0	0
16. Jurisdictional Differences	0	0	50. Other Jurisdictional Differences	0	205,953
17. Total noncurrent Assets (11 thru 16)	322,130	193,064	51. Total Other Liab. & Def. Credits (47 thru 50)	377,930	474,009
			<b>EQUITY</b>		
<b>PLANT, PROPERTY AND EQUIPMENT</b>			52. Cap. Stock Outstanding & Subscribed	2,666,346	2,666,346
18. Telecom Plant-in-Service	17,214,110	17,661,528	53. Additional Paid-in-Capital	0	0
19. Property Held for Future Use	0	0	54. Treasury Stock	0	0
20. Plant Under Construction	187,714	70,337	55. Membership and Capital Certificates	0	0
21. Plant Adj., Nonop Plant & Goodwill	0	72,321	56. Other Capital	0	0
22. Accumulated Depreciation (CR.)	(14,861,303)	(15,364,295)	57. Patronage Capital Credits	0	0
23. Net Plant (18 thru 21 less 22)	2,540,521	2,439,891	58. Retained Earnings or Margins	(304,101)	407,157
			59. Total Equity (52 thru 58)	2,362,245	3,073,503
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>4,675,585</b>	<b>5,434,912</b>	<b>59. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>4,675,585</b>	<b>5,434,912</b>

Footnote:  
Adjusted Balances represents balances after Part 64 adjustments.

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Prior and Current Year Rate Base

Company Name: (Below)  
 Pend Oreille Telephone Company

Line #	Description	B/S Line #	Adj. Balance End of Year 2016	Adj. Balance End of Year 2017	Average Adj End of Year Balance
<b>Average Rate Base:</b>					
1	Total Regulated Adjusted Telecom Plant-In-Service	18	17,214,110	17,661,528	17,437,819
2	Total Property Held for Future Use	19	0	0	0
3	Total Regulated Adjusted Accumulated Depreciation (CR)	22	(14,861,303)	(15,364,295)	(15,112,799)
4	Total Regulated Materials & Supplies	6	215,815	227,782	221,799
5	Deferred Income Taxes (CR) * - Manually input		(377,930)	(268,056)	(322,993)
6	<b>Total Regulated Rate Base</b>		<b>2,190,692</b>	<b>2,256,959</b>	<b>2,223,826</b>

Footnotes:

1. Normal balance of deferred operating income taxes and accumulated depreciation is a credit.
2. Deferred Income Taxes (Line 5) may not equal the Balance Sheet Deferred Income Taxes (Line 48) if the later includes non-operating.
3. Adjusted balance includes Part 64 adjustments

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State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Prior and Current Year Access Lines

Company Name: (Below)  
 Pend Oreille Telephone Company

Line #	Description	Prior Year End of Yr. Balance - 2016	Current Year End of Yr. Balance - 2017	Difference	% Change
<b>Access Lines:</b>					
1	Residential	1,129	1,095	(34)	-3.0%
2	Business	327	329	2	0.6%
3	Total	1,456	1,424	(32)	-2.2%

Note: If 2016 does not equal last year's petition and template, explain.

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Prior Year Income Statement

Company Name: (Below)  
 Pend Oreille Telephone Company

Line #	Description	Prior Year 2016 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2016 (C)
1	Local Network Services Revenues	419,794		419,794
2	Network Access Services Revenues	2,099,061		2,099,061
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues			0
5	Miscellaneous Revenues	30,682		30,682
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(33,780)		(33,780)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>2,515,757</b>	<b>0</b>	<b>2,515,757</b>
8	Plant Specific Operations Expense	673,453	(11,337)	662,116
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	228,911	5,664	234,575
10	Depreciation Expense	397,932	(2,701)	395,231
11	Amortization Expense			0
12	Customer Operations Expense	175,398	(5,738)	169,660
13	Corporate Operations	835,335	(13,323)	822,012
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>2,311,029</b>	<b>(27,435)</b>	<b>2,283,594</b>
15	Operating Income or Margins (7 less 14)	204,728	27,435	232,163
16	Other Operating Income and Expenses ( )			0
17	State and Local Taxes			0
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	64,573	(27,391)	37,182
19	Other Taxes	56,646	(217)	56,429
20	<b>Total Operating Taxes (17+18+19)</b>	<b>121,219</b>	<b>(27,608)</b>	<b>93,611</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>83,509</b>	<b>55,043</b>	<b>138,552</b>
22	Interest on Funded Debt	67,744	(25,946)	41,798
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	2,947	(450)	2,497
25	Allowance for Funds Used During Construction (Record as a Credit)	(6,688)		(6,688)
26	<b>Total Fixed Charges (22+23+24+25)</b>	<b>64,003</b>	<b>(26,396)</b>	<b>37,607</b>
27	Nonoperating Net Income	3,436		3,436
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	118,892	(81,439)	37,453
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>141,834</b>	<b>0</b>	<b>141,834</b>
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	(199,719)		(199,719)
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)	250,007		250,007
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	<b>Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)</b>	<b>(307,892)</b>	<b>0</b>	<b>(307,892)</b>
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	161,085		161,085
45	Cash Ratio ((14+20-10-11)/7)	0.8086	#DIV/0!	0.7878
46	Operating Accrual Ratio ((14+20+26)/7)	0.9922	#DIV/0!	0.9599
47	TIER ((31+26)/26)	3.2161	1.0000	4.7715
48	DSCR ((31+26+10+11)/44)	3.7481	#DIV/0!	3.5675

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Income Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 2, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
Current Year Income Statement

Company Name: (Below)  
Pend Oreille Telephone Company

Line #	Description	Current Year 2017 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2017 (C)
1	Local Network Services Revenues	422,422		422,422
2	Network Access Services Revenues	3,227,453		3,227,453
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues			0
5	Miscellaneous Revenues	19,940	(9,892)	10,048
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(79,196)		(79,196)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>3,590,619</b>	<b>(9,892)</b>	<b>3,580,727</b>
8	Plant Specific Operations Expense	638,843	(8,035)	630,808
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	362,420	(45,946)	316,474
10	Depreciation Expense	474,380	(1,856)	472,524
11	Amortization Expense			0
12	Customer Operations Expense	164,821	(3,362)	161,459
13	Corporate Operations	824,192	(8,323)	815,869
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>2,464,656</b>	<b>(67,522)</b>	<b>2,397,134</b>
15	Operating Income or Margins (7 less 14)	1,125,963	57,630	1,183,593
16	Other Operating Income and Expenses ( )			0
17	State and Local Taxes			0
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	377,425	(23,029)	354,396
19	Other Taxes	93,308	(149)	93,159
20	<b>Total Operating Taxes (17+18+19)</b>	<b>470,733</b>	<b>(23,178)</b>	<b>447,555</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>655,230</b>	<b>80,808</b>	<b>736,038</b>
22	Interest on Funded Debt	68,907	(24,743)	44,164
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	1,762	(1,762)	0
25	Allowance for Funds Used During Construction (Record as a Credit)	(4,923)		(4,923)
26	<b>Total Fixed Charges (22+23+24+25)</b>	<b>65,746</b>	<b>(26,505)</b>	<b>39,241</b>
27	Nonoperating Net Income	13,834		13,834
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	148,208	(107,313)	40,895
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>751,526</b>	<b>0</b>	<b>751,526</b>
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	(307,892)		(307,892)
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	<b>Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)</b>	<b>443,634</b>	<b>0</b>	<b>443,634</b>
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	250,288		250,288
45	Cash Ratio ((14+20-10-11)/7)	0.6854	8.9814	0.6625
46	Operating Accrual Ratio ((14+20+26)/7)	0.8358	11.8485	0.8054
47	TIER ((31+26)/26)	12.4307	1.0000	20.1516
48	DSCR ((31+26+10+11)/44)	5.1607	#DIV/0!	5.0473

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Income Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 3, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No Impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Prior and Current Year Income Statement

Company Name:  
Pend Oreille Telephone Company

Line #	Description	Adjusted Prior Year 2016	Adjusted Current Year 2017
1	Local Network Services Revenues	419,794	422,422
2	Network Access Services Revenues	2,099,061	3,227,453
3	Long Distance Network Services Revenues	0	0
4	Carrier Billing and Collection Revenues	0	0
5	Miscellaneous Revenues	30,682	10,048
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(33,780)	(79,196)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>2,515,757</b>	<b>3,580,727</b>
8	Plant Specific Operations Expense	662,116	630,808
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	234,575	316,474
10	Depreciation Expense	395,231	472,524
11	Amortization Expense	0	0
12	Customer Operations Expense	169,660	161,459
13	Corporate Operations	822,012	815,869
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>2,283,594</b>	<b>2,397,134</b>
15	Operating Income or Margins (7 less 14)	232,163	1,183,593
16	Other Operating Income and Expenses ( )	0	0
17	State and Local Taxes	0	0
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	37,182	354,396
19	Other Taxes	56,429	93,159
20	<b>Total Operating Taxes (17+18+19)</b>	<b>93,611</b>	<b>447,555</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>138,552</b>	<b>736,038</b>
22	Interest on Funded Debt	41,798	44,164
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	2,497	0
25	Allowance for Funds Used During Construction (Record as a Credit)	(6,688)	(4,923)
26	<b>Total Fixed Charges (22+23+24+25)</b>	<b>37,607</b>	<b>39,241</b>
27	Nonoperating Net Income	3,436	13,834
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	37,453	40,895
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>141,834</b>	<b>751,526</b>
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	(199,719)	(307,892)
34	Miscellaneous Credits Year-to-Date	0	0
35	Dividends Declared (Common)	250,007	0
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	0	0
38	Transfers to Patronage Capital	0	0
39	<b>Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))</b>	<b>(307,892)</b>	<b>443,634</b>
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	161,085	250,288
45	Cash Ratio ((14+20-10-11)/7)	0.7878	0.6625
46	Operating Accrual Ratio ((14+20+26)/7)	0.9599	0.8054
47	TIER ((31+26)/26)	4.7715	20.1516
48	DSCR ((31+26+10+11)/44)	3.57	5.0473

Footnote

(A1) S Corporation Effective Tax Rate (2 decimal places):

Note:

Adjusted Income Statement reflects Part 64 Adjustments (Regulated to Nonregulated).

2016                      2017

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Prior and Current Year Access Revenue Detail

Company Name: (Below)  
 Pend Oreille Telephone Company

Line #	Description	Part 32 Account	Prior Year 2016	Current Year 2017
1	End User Revenue (SLC, ARC, etc.)	5081	193,766	200,611
2	Switched Access (excluding USF)	5082		
2a	Intrastate		107,653	138,632
2b	Interstate (includes CAF)		762,162	727,569
3	Special Access:	5083		
3a	Intrastate		35,911	33,097
3b	Interstate		329,750	328,338
4	Federal USF (except CAF and ACAM/BLS)	Varies	468,631	(8,712)
5	Federal USF (ACAM or BLS)	Varies	0	1,562,611
6	State USF	Varies	201,068	245,307
7	Other*		120	
8	Total (must equal line 2 of Income Stmt.)		2,099,061	3,227,453
9	Line 2 of Income Stmt.		2,099,061	3,227,453
10	Difference		0	0

Footnote:

\* - if > than 5% of Access revenue total, provide description below.

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)  
 Out-of-Period and Pro Forma Adjustments

Company Name: (Below)  
 Pend Oreille Telephone Company

Description of Out-of-Period (OOP) - 2017 (As Recorded) OR Pro Forma (PF) Adjustment for Current Year Petition or Reversing from Prior Year	Year	OOP or PF?	Part 32 Account	
			Debit	Credit
Adjustment #1:				
Adjustment #2:				
Adjustment #3:				
Adjustment #4:				
Adjustment #5:				

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)  
 Rate of Return and Consolidated Return on Equity

Company Name: (Below)  
Pend Oreille Telephone Company

Line #	Description	Company 2017 (A)	Staff 2017 (B)
1	Rate Base (Jan. 1)	2,190,692	2,190,692
2	Rate Base (Dec 31)	2,256,959	2,256,959
3	Average Rate Base	2,223,826	2,223,826
4	Net Operating Income	736,038	736,038
5	Out-of-Period Adjustments Net of FIT		
6	Adjusted Net Operating Income	736,038	736,038
7	Earned Regulated Rate of Return	33.10%	33.10%

Footnotes:

- (A) Column A to be completed by Company.
- (B) Column B should equal Column A, but may include any Staff Adjustments