

July 2, 2018
Pioneer Telephone Company

Pioneer Telephone Company (the "Company") hereby submits the following reports in accordance with WAC 480-123-070 and WAC 480-123-080.

1. Report 1: Report on use of funds: WAC 480-123-070(1)(a):

The Company used support from the federal high-cost fund in 2017 as follows: To support investments made by the Company in telecommunications plant used to provide voice services, broadband services and other telecommunications services, and to defray operating expenses incurred by the Company in its provision of those services.

In the calendar year 2017, the Company's gross capital expenditures and expenses paid, in whole or in part, with support from the federal high-cost fund were \$1,149,805 and \$1,339,347 respectively. The major projects included a new vehicle with camper used for fiber splicing for \$77,392 to be utilized for the fiber-to-the-home project throughout their serving area, other general support assets for \$5,234, new generator for Endicott exchange in the amount of \$21,717, voice broadband line cards in the amount of \$4,418 and fiber-to-home construction, electronics and installation in the amount of \$1,041,044. Also, the Company had plant under construction for the new fiber-to-the-home project for approximately \$5,200 that remained open at year-end.

A copy of the Company's most recent NECA-1 report¹ for the calendar year 2016 is included in this filing. The NECA-1 report for the calendar year 2017 is not complete at the time of this filing and will be sent at a later date when available.

2. Report 2: WAC 480-123-070(1)(b): The Company reports that the investments and expenses report under Report 1, above, benefited consumers as follows:

Consumers served by the Company, as well as those consumers of other telecommunications service providers who may have communicated with the Company's customers utilizing telecommunications services provided by the Company, benefited from the use of high-cost fund support by continuing to receive high quality telecommunications services.

Through the expenditure of the federal high-cost support funds, the Company was able to continue to provide services at a level that the Company believes meets the intent set forth in 47 U.S.C § 254 of providing quality telecommunications services to customers in the service area for which the Company is designated as an ETC.² The Company has made substantial investments over the past several years which allow it to provide quality telecommunications services to its customers in its designated ETC service area. Those

¹ The Company understands the reference to the "NECA-1 report" to refer to the values reported by the Company in response to the National Exchange Carrier Association, Inc. Universal Service Data Collection Form or its online equivalent pertaining to the subject year.

² The term "ETC" is used in the same sense as the term is used in Chapter 480-123 WAC.

expenditures and investments, including those reflected in Report 1 above generally benefit all customers receiving the federal high-cost fund supported services from the Company within its designated ETC service area. The Company has expanded its network over the past several years so that it is capable of providing access to broadband services throughout most of the Company's designated ETC service area. The Company offers services that are comparable to services offered in urban areas at rates that are comparable to rates for such services in urban areas.

3. Report 3: Local Services Outage Report: WAC 480-123-070(2):

None

4. Report 4: Report on Failure to Provide Service: WAC 480-123-070(3):

None

5. Report 5: Report on Complaints per 1000 Connections: WAC 480-123-070(4):

None

6. Report 6: Annual Plan: WAC 480-123-080(1):

As they are known to the Company at the date of this Report, the Company's planned gross capital expenditures and operating expenses related to Washington State to be made during the calendar year 2019 are projected to be \$800,000 and \$1,592,000 respectively. The major projects consist of continued additions to the fiber-to-the-home project for fiber cable and electronics of approximately \$800,000. The increase in operating expenses due primarily to depreciation related to the fiber-to-the-home project in progress.

7. Report 7: Plan of Investments and Expenditures: WAC 480-123-080(2):

As they are known to the Company at the date of this Report, apart from major projects, the planned investment and expenditures to be made with federal high-cost support related to Washington State for the calendar year 2019 are planned to remain relatively the same as those the Company experienced in calendar year 2017, subject to the effects of inflation, other commonly experienced changes in cost of labor and materials, and increased depreciation on new investment placed in service. The Company does not anticipate major adjustments in staffing levels for the relevant period. Planned major projects are as described or referenced in Report 6 above. The Company has not completed its budgeting process for calendar year 2019, so the investment and expense figures presented in Report 6 above for 2019 are not yet final. The Company expects that the continued receipt of federal high-cost support will allow the Company to continue to provide the supported services at rates that are comparable to the rates for such services in urban areas. All customers in the Company's designated ETC service area will benefit from the expected level of support by continuing to have available to them services that are comparable to the telecommunications services offered in urban areas at rates that are comparable to the rates for such services in urban areas.