

UT-151577-P

Pioneer Telephone Co.

Local and Long Distance Service

Serving LaCrosse, Endicott, Winona, Hooper, Dusty and Hay

Telephone 509/549-3511

P.O. Box 207

LaCrosse, Washington 99143-0207



July 30, 2015

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

Mr. Steven V. King, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Petition to Receive Support from the State Universal Communications
Services Program Pursuant to WAC 480-123-100 and 480-123-110

CLAIM OF CONFIDENTIALITY

Dear Mr. King:

Pursuant to WAC 480-123-100 and WAC 480-123-110, Pioneer Telephone Company ("Company") hereby petitions the Washington Utilities and Transportation Commission to receive support from the State Universal Communications Services Program for the Program year 2015.

The petition for support and exhibits that are specified in WAC 480-123-100 and WAC 480-123-110 accompany this letter and are being filed on paper. In addition, a copy of this letter in both .pdf and .doc format and a copy of the confidential (unredacted) versions of each of the two Excel workbooks (in .xlsx format) from which Exhibit 4 was produced, are being filed electronically.

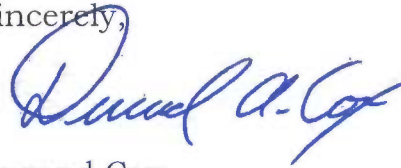
Please note that portions of the information in the Petition and accompanying exhibits, including the above-mentioned electronic version of Exhibit 4, are being filed on a confidential basis pursuant to WAC 480-07-160, in that certain of the information contained therein constitutes valuable and confidential financial information. In addition to the Company, its parent company, Pioneer Telephone Holding Company, Inc., might be directly affected by disclosure of the confidential information. Both confidential (unredacted) and redacted versions of the confidential exhibits accompany this letter, as well as a complete copy of the petition and all non-confidential exhibits. In the filing being made on paper, the originals of the unredacted versions of the confidential exhibits are included in a separate envelope marked "Confidential per WAC 480-07-160". Pursuant to agreement with the Commission Staff, in

Mr. Steven V. King, Executive Director and Secretary
Washington Utilities and Transportation Commission
July 30, 2015

- [continued on page 2]

the paper version of this filing, only the original of the confidential (unredacted) version of the petition and exhibits is being provided, notwithstanding WAC 480-07-160(3)(c)(iii).

Sincerely,

A handwritten signature in blue ink, appearing to read "Durand Cox". The signature is written in a cursive style with a large initial "D".

Durand Cox
President

Enclosures

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RECEIVED
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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

IN RE

PETITION OF PIONEER TELEPHONE
COMPANY TO RECEIVE SUPPORT
FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES
PROGRAM

DOCKET NO.
PETITION FOR SUPPORT

COMES NOW Pioneer Telephone Company (the "Company") and, pursuant to Chapter 480-123 of the Washington Administrative Code ("WAC") including, but not limited to, WAC 480-123-110, hereby petitions the Washington Utilities and Transportation Commission (the "Commission") to receive support from the State Universal Communications Services Program established in RCW 80.36.650 (the "Program") for the Program year 2016.

I. Demonstration of Eligibility under WAC 480-123-100

- 1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC 480-120-021 that serves less than forty thousand access lines within the state.

- 1 2. WAC 480-123-100(1)(b): The Company is an incumbent local exchange carrier as defined
2 in 47 U.S.C. Sec. 251(h).
- 3 3. WAC 480-123-100(1)(c): The Company offers basic residential and business exchange
4 telecommunications services as set forth in WAC 480-120-021 and RCW 80.36.630.
- 5 4. WAC 480-123-100(1)(d): The Company's rates for residential local exchange service, plus
6 mandatory extended area service charges, are no lower than the local urban rate floor
7 established by the Commission as the benchmark rate based on the Federal Communications
8 Commission's national local urban rate floor pursuant to 47 C.F.R. Sec. 54.318 in effect on
9 the date of this Petition.
- 10 11 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an
12 eligible telecommunications carrier for purposes of receiving federal universal services
13 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost
14 Areas with respect to the service area for which the Company is seeking Program support.

15 16 17 **II. Demonstration of Eligibility under WAC 480-123-110**

- 18 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications
19 services and is seeking Program support is as follows: Pioneer Telephone Company.
- 20 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between
21 the Company and all affiliates as defined in RCW 80.16.010 is attached hereto as Exhibit 1.
22 A detailed description of any transactions between the Company and the affiliates named in
23 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.

- 1 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet No.
2 2.2 in Section IV of the Company's Tariff WN U-3.
- 3 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate
4 instability or service interruption or cessation in the absence of support from the Program is
5 attached hereto as Exhibit 3.
- 6 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached hereto as
7 Exhibit 4, are copies of the Company's balance sheet as of December 31, 2014, and
8 December 31, 2013, and copies of the Company's statements of income and retained
9 earnings or margin for the years ended December 31, 2014 and December 31, 2013.
- 10 6. WAC 480-123-110(1)(e)(ii): A copy of the parent Company's consolidated annual financial
11 statements for the years ended December 31, 2014 and December 31, 2013, is attached as
12 hereto Exhibit 5.
- 13 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of
14 return on a total Washington unseparated regulated operations basis for each of the two prior
15 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4
16 attached hereto.
- 17 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on
18 equity on a total company (regulated and non-regulated) Washington basis for each of the
19 two prior years, calculated in the manner prescribed by the Commission, is provided in
20 Exhibit 4.
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- 1 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the
2 statements of income and retained earnings or margin in the same format and detail as is
3 required to complete USDA-RUS Operating Report for the prior two years is presented on
4 Exhibit 6 attached hereto.
- 5 10. WAC 480-123-110(1)(e)(vi): A statement under penalty of perjury from a Company officer
6 with personal knowledge and responsibility certifying that no corporate operations
7 adjustment to existing high-cost loop and interstate common line support mechanisms
8 required by the Federal Communications Commission applied to the Company for the two
9 prior years is attached hereto as Exhibit 7.
- 10 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information
11 requested by the Commission.
- 12 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company
13 officer with personal knowledge and responsibility certifying that the Company complies
14 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to
15 incumbent local exchange companies is attached hereto as Exhibit 8.
- 16 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or
17 on its behalf with the Federal Communications Commission for the calendar year preceding
18 the current year has already been filed with the Commission. See the Company's filing in
19 Docket No. UT-150063 filed on or about July 1, 2015.
- 20 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by
21 the Company as of December 31, 2014, was 517, all of which were within the geographic
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1 area for which the Company is seeking support. The number of residential local exchange
2 access lines served by the Company as of December 31, 2013, was 529, all of which were
3 within the geographic area for which the Company is seeking support. The number of
4 business local exchange access lines served by the Company as of December 31, 2014, was
5 163, all of which were within the geographic area for which the Company is seeking
6 support. The number of business local exchange access lines served by the Company as of
7 December 31, 2013, was 162, all of which were within the geographic area for which the
8 Company is seeking support. The monthly recurring rate charged by the Company for
9 residential local exchange access service on December 31, 2014, was \$16.00. The monthly
10 recurring rate charged by the Company for residential local exchange access service on
11 December 31, 2013, was \$14.00. The rate charged by the Company for single line business
12 local exchange access service on December 31, 2014, was \$16.00. The rate charged by the
13 Company for single line business local exchange access service on December 31, 2013, was
14 \$14.50. (The Company has other business local exchange service rates, but the Company
15 understands that WAC 480-123-110(1)(g) is requesting the single line business local
16 exchange access service rate.)
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19 15. WAC 480-123-110(1)(h): The specified statement is attached hereto as Exhibit 9.
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2 16. All exhibits attached hereto are incorporated in this Petition as though fully set forth.

3 Respectfully submitted this 30th day of July, 2015.

4
5 PIONEER TELEPHONE COMPANY

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7 CERTIFICATION

8 I, Durand Cox, an officer of Pioneer Telephone Company (the "Company") that is
9 responsible for the Company's business and financial operations, hereby certify under penalty of
10 perjury that the information and representations set forth in the Petition, above, are accurate and the
11 Company has not knowingly withheld any information required to be provided to the Commission
pursuant to the rules governing the Program.

12 Dated at LaCrosse, Washington this 30th day of July, 2015.

13
14 By: 

15 Title: Durand Cox, President
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EXHIBIT 1

CORPORATE ORGANIZATION CHART

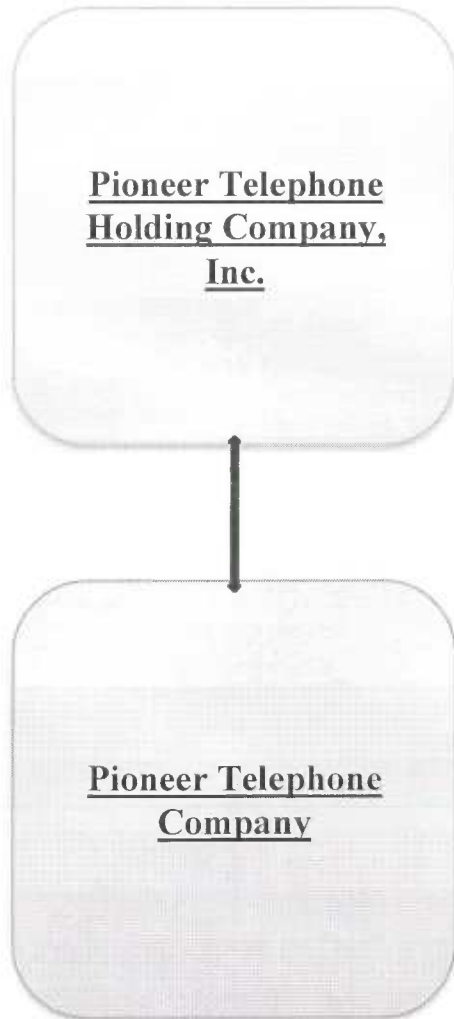


EXHIBIT 2

AFFILIATED TRANSACTIONS

Pioneer Telephone Company ("Company") has affiliated transactions with its parent holding company Pioneer Telephone Holding Company, Inc. During 2014, these transactions consisted of the following:

- Loan advances from parent to the Company. These advances are recorded on the Company's book to an affiliated payable account.
- The Company provides wholesale DSL service to the parent and charges the parent for such services at rates set forth in the applicable tariff of the National Exchange Carrier Association, Inc. ("NECA").
- The Company provides the parent with special access service, for which the parent is charged by the Company at applicable NECA tariff rates.
- The Company provides customer service support on behalf of the parent with respect to services furnished by the parent to end user customers. The Company is reimbursed by the parent for such services, based on time devoted to such service, to which fully loaded labor rates are applied.
- The Company provides billing and collection services to the parent with respect to retail internet access service furnished by the parent to the Company's end user customers. The cost of these services is identified through the Company's FCC Part 64 procedures as a reduction of operating expenses.
- The Company purchases from the parent web hosting service, email delivery and internet access at rates equivalent to the rates the parent charges to its similarly situated retail customers.
- The parent pays federal income taxes due with respect to income earned by the Company, and is reimbursed by the Company for the Company's allocated share of such taxes.

EXHIBIT 3

DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Company finds itself has created a climate of great financial uncertainty. The Company has been working over the past few years to address growing competition. The Company has taken steps to increase the availability of advanced services offered by the Company, including broadband. This has resulted in the Company making additional investments in regulated plant of approximately \$1,223,600 during the period 2011 through 2014. The Company paid off their significant debt obligation of approximately \$5.6 million at yearend 2012.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. What this information demonstrates is that, when adjusted to eliminate the support from the State Universal Communications Services Program ("Program") that the Company received or accrued in 2014, the Company's total regulated revenue decreased by approximately 8.1 percent from 2011 through 2014. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations, such as middle-mile transport payments.

At the same time, the Company is seeing increased competition. For example, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Since 2011, the Company has lost 45 access lines. A loss of customers equates to a loss of revenue without a corresponding reduction in expenses or corresponding increase in rates. This trend of access line loss is exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal USF support. Since 2012, the Company has increased its local exchange service rates in order to be in compliance with the national urban rate floor prescribed by the Federal Communications Commission. However, those increases have been insufficient to fully replace the revenues that have been lost due to the reduction in access lines. In addition, those rate increases have tended to stimulate a rise in disconnection of service by customers.

As an example of why state Program support is needed, the Company's receipt of revenue from the traditional Washington intrastate universal service access rate element and related pooling fund were terminated effective July 1, 2014. Since then, the loss of revenues derived from the traditional universal service access rate element has been off-set by revenues received by the Company as a result of its participation in the Program. Using 2012 as a base line, the Company is facing a loss of traditional state universal service fund revenues of approximately \$15,580 per year if its participation in the Program is not renewed.

As another example, some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the Federal Communications Commission.¹ The USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base line year for calculating terminating access and reciprocal compensation revenues and provides support from the Connect America Fund ("CAF") based on the base line year. However, the base line year revenues (from which the level of CAF support is derived) are reduced iteratively by five percent each year. The CAF support reduction began in July 2012. Projecting through the calendar year 2016, including additional reductions that, under existing federal rules, will occur July 1, 2016, the Company will see a reduction in support from the base line revenue amount of approximately \$84,280 for 2016.

On top of all this, during the four-year period ended December 31, 2014, the Company has seen its Federal high cost loop support undergo a significant reduction, declining from \$793,068 in 2011 to \$680,076 in 2014. This loss has not been made up by increases in other federal USF support programs.

These factors, among others, have led to the strained financial condition of the Company as reflected in the financial reports that are part of the Petition.

The combination of factors noted above creates a situation in which, without support from the Program, the Company may be faced with a choice of increasing rates beyond those increases that may otherwise need to occur or reducing service in order to be able to match expenses to revenues. Neither choice presents a viable path for providing continued high quality service to customers. The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject.

¹ *In the Matter of 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 an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).

Company Name: (Below)
 PIONEER TELEPHONE COMPANY

Description	Prior Year End of Yr. Balance - 2013	Current Year End of Yr. Balance - 2014	Difference	% Change
Broadband Connections:				
Residential Business				
Total				
Gross Regulated and Nonregulated Capital Expenditures:				
Total Annual Amount				

Note: In the Company's Petition for Program support filed in 2014, "Broadband Connections" for 2013 were shown as [REDACTED]. The figure included [REDACTED] Wildblue connections serving locations outside the serving area for which the Company has been designated as an Eligible Telecommunications Carrier. The Wildblue connections have been excluded from the 2013 Broadband Connections shown in the above table, resulting in that Broadband Connections figure being reduced to [REDACTED].

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)
PIONEER TELEPHONE COMPANY

ASSETS	Balance End of Year 2013 (A)	Part 64 Adj to NonReg 2013 (B)	Adj. Balance End of Year 2013 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2013 (A)	Part 64 Adj to NonReg 2013 (B)	Adj. Balance End of Year 2013 (C)
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	998,002		998,002	25. Accounts Payable	88,875		88,875
2. Cash-RUS Construction Fund			0	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	1,097		1,097
a. Telecom, Accounts Receivable			0	28. Customer Deposits	0		0
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	0		0
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.	0		0
4. Non-Affiliates:				31. Current Mat. - Capital Leases	0		0
a. Telecom, Accounts Receivable	17,394		17,394	32. Income Taxes Accrued	76,339		76,339
b. Other Accounts Receivable	34,970		34,970	33. Other Taxes Accrued	70,031		70,031
c. Notes Receivable			0	34. Other Current Liabilities	24,455		24,455
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	260,797	0	260,797
6. Material-Regulated	65,521		65,521	LONG-TERM DEBT			
7. Material-Nonregulated	4,676		4,676	36. Funded Debt-RUS Notes	0		0
8. Prepayments	21,059		21,059	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	156,445		156,445	38. Funded Debt-FFB Notes	0		0
10. Total Current Assets (1 Thru 9)	1,298,067	0	1,298,067	39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	0		0
NONCURRENT ASSETS				41. Premium (Discount) on L/T Debt	0		0
11. Investment in Affiliated Companies				42. reacquired Debt	0		0
a. Rural Development	1,020,768		1,020,768	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)	0	0	0
b. Nonrural Development				OTHER LIAB. & DEF. CREDITS			
13. Nonregulated Investments (B1)	35,586	4,252	39,838	47. Other Long-Term Liabilities	443,608	(340)	443,268
14. Other Noncurrent Assets			0	48. Other Deferred Credits (C)			
15. Deferred Charges			0	49. Other Jurisdictional Differences			
16. Jurisdictional Differences			0	50. Total Other Liab. & Def. Credits (47 thru 49)	443,608	(340)	443,268
17. Total noncurrent Assets (11 thru 16)	1,056,354	4,252	1,060,606	EQUITY			
				51. Cap. Stock Outstanding & Subscribed	56,052		56,052
PLANT, PROPERTY AND EQUIPMENT				52. Additional Paid-in-Capital	0		0
18. Telecom Plant-in-Service	12,239,572	(30,927)	12,208,645	53. Treasury Stock	0		0
19. Property Held for Future Use			0	54. Membership and cap. Certificates	0		0
20. Plant Under Construction			0	55. Other Capital	0		0
21. Plant Adj., Monop Plant & Goodwill			0	56. Patronage Capital Credits			
22. Accumulated Depreciation (CR.)	(7,473,474)	26,675	(7,446,799)	57. Retained Earnings or Margins (B2)	6,360,062	340	6,360,402
23. Net Plant (18 thru 21 less 22)	4,766,098	(4,252)	4,761,846	58. Total Equity (51 thru 57)	6,416,114	340	6,416,454
24. TOTAL ASSETS (10+17+23)	7,120,519	0	7,120,519	59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	7,120,519	0	7,120,519

Footnotes:
(A) - As reported on RUS Form 479
(B) - Part 64 adjustments from regulated to nonregulated.
(C) - Includes deferred taxes

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

Company Name: (Below)
PIONEER TELEPHONE COMPANY

ASSETS	Balance End of Year 2014 (A)	Part 64 Adj to NonReg 2014 (B)	Adj. Balance End of Year 2014 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2014 (A)	Part 64 Adj to NonReg 2014 (B)	Adj. Balance End of Year 2014 (C)
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	1,487,984		1,487,984	25. Accounts Payable	99,556		99,556
2. Cash-RUS Construction Fund			0	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	1,655		1,655
a. Telecom, Accounts Receivable			0	28. Customer Deposits	0		0
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	0		0
c. Notes Receivable			0	30. Current Mat. - L/T Debt Rur. Dev.	0		0
4. Non-Affiliates:				31. Current Mat. - Capital Leases	0		0
a. Telecom, Accounts Receivable	25,338		25,338	32. Income Taxes Accrued	19,767		19,767
b. Other Accounts Receivable	132,550		132,550	33. Other Taxes Accrued	63,281		63,281
c. Notes Receivable			0	34. Other Current Liabilities	66,751		66,751
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	251,010	0	251,010
6. Material-Regulated	73,466		73,466	LONG-TERM DEBT			
7. Material-Nonregulated	4,157		4,157	36. Funded Debt-RUS Notes	0		0
8. Prepayments			0	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	217,593		217,593	38. Funded Debt-FFB Notes	0		0
10. Total Current Assets (1 Thru 9)	1,941,088	0	1,941,088	39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	0		0
NONCURRENT ASSETS				41. Premium (Discount) on L/T Debt	0		0
11. Investment in Affiliated Companies			0	42. Reacquired Debt	0		0
a. Rural Development			0	43. Obligations Under Capital Lease	0		0
b. Nonrural Development			0	44. Adv. From Affiliated Companies	57,477		57,477
12. Other Investments				45. Other Long-Term Debt	0		0
a. Rural Development			0	46. Total Long-Term Debt (36 thru 45)	57,477	0	57,477
b. Nonrural Development			0	OTHER LIAB. & DEF. CREDITS			
13. Nonregulated Investments (B1)			0	47. Other Long-Term Liabilities	0		0
14. Other Noncurrent Assets	35,277	1,532	36,809	48. Other Deferred Credits (C)	496,877	(540)	496,337
15. Deferred Charges			0	49. Other Jurisdictional Differences	0		0
16. Jurisdictional Differences			0	50. Total Other Liab. & Def. Credits (47 thru 49)	496,877	(540)	496,337
17. Total noncurrent Assets (11 thru 16)	35,277	1,532	36,809	EQUITY			
				51. Cap. Stock Outstanding & Subscribed	56,052		56,052
PLANT, PROPERTY AND EQUIPMENT				52. Additional Paid-in-Capital	0		0
18. Telecom Plant-In-Service	12,365,015	(31,367)	12,333,648	53. Treasury Stock	0		0
19. Property Held for Future Use			0	54. Membership and cap. Certificates	0		0
20. Plant Under Construction			0	55. Other Capital	0		0
21. Plant Adj., Nonop Plant & Goodwill			0	56. Patronage Capital Credits	0		0
22. Accumulated Depreciation (CR.)	(7,978,437)	29,835	(7,948,602)	57. Retained Earnings or Margins (B2)	5,501,527	540	5,502,067
23. Net Plant (18 thru 21 less 22)	4,386,578	(1,532)	4,385,046	58. Total Equity (51 thru 57)	5,557,579	540	5,558,119
24. TOTAL ASSETS (10+17+23)	6,362,943	0	6,362,943	59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	6,362,943	0	6,362,943

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (C) - Includes deferred taxes

Footnotes:

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

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

Company Name: (Below)
PIONEER TELEPHONE COMPANY

ASSETS	Adjusted Prior Year Balance 2013	Adjusted Current Year Balance 2014	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2013	Adjusted Current Year Balance 2014
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	998,002	1,487,984	25. Accounts Payable	88,875	99,556
2. Cash-RUS Construction Fund	0	0	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	1,097	1,655
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	0	0
c. Notes Receivable	0	0	30. Current Mat. L/T Debt Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat. - Capital Leases	0	0
a. Telecom, Accounts Receivable	17,394	25,338	32. Income Taxes Accrued	76,339	19,767
b. Other Accounts Receivable	34,970	132,650	33. Other Taxes Accrued	70,031	63,281
c. Notes Receivable	0	0	34. Other Current Liabilities	24,455	66,751
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	260,797	251,010
6. Material-Regulated	65,521	73,466	LONG-TERM DEBT		
7. Material-Nonregulated	4,676	4,157	36. Funded Debt-RUS Notes	0	0
8. Prepayments	21,059	0	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	156,445	217,593	38. Funded Debt-FFB Notes	0	0
10. Total Current Assets (1 Thru 9)	1,298,067	1,941,088	39. Funded Debt-Other	0	0
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	1,020,768	0	42. Reacquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	0	57,477
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	0	0	46. Total Long-Term Debt (36-45)	0	57,477
13. Nonregulated Investments	39,838	36,809	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	0	0	47. Other Long-Term Liabilities	443,268	496,337
15. Deferred Charges	0	0	48. Other Deferred Credits	0	0
16. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences	0	0
17. Total noncurrent Assets (11 thru 16)	1,060,606	36,809	50. Total Other Liab. & Def. Credits (47 thru 49)	443,268	496,337
PLANT, PROPERTY AND EQUIPMENT			EQUITY		
18. Telecom Plant-in-Service	12,208,645	12,333,648	51. Cap. Stock Outstanding & Subscribed	56,052	56,052
19. Property Held for Future Use	0	0	52. Additional Paid-in-Capital	0	0
20. Plant Under Construction	0	0	53. Treasury Stock	0	0
21. Plant Adj., Nonop Plant & Goodwill	0	0	54. Membership and cap. Certificates	0	0
22. Accumulated Depreciation (CR.)	(7,446,799)	(7,948,602)	55. Other Capital	0	0
23. Net Plant (18 thru 21 less 22)	4,761,846	4,385,046	56. Patronage Capital Credits	0	0
			57. Retained Earnings or Margins	6,360,402	5,502,067
			58. Total Equity (51 thru 57)	6,416,454	5,558,119
24. TOTAL ASSETS (10+17+23)	7,120,519	6,362,943	59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	7,120,519	6,362,943

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)
PIONEER TELEPHONE COMPANY

Line #	Description	B/S Line #	Adj. Balance End of Year 2013	Adj. Balance End of Year 2014	Average Adj End of Year Balance
Average Rate Base:					
1	Total Regulated Adjusted Telecom Plant-In-service	18	12,208,645	12,333,648	12,271,147
2	Total Property Held for Future Use	19	0	0	0
3	Total Regulated Adjusted Accumulated Depreciation (CR)	22	(7,446,799)	(7,948,602)	(7,697,701)
4	Total Regulated Materials & Supplies	6	65,521	73,466	69,494
5	Deferred Income Taxes (CR)		(443,447)	(492,110)	(467,779)
6	Total Regulated Rate Base		4,383,920	3,966,402	4,175,161

Footnotes:

1. Normal balance of deferred income taxes and accumulated depreciation is a credit.
2. Adjusted balance includes Part 64 adjustments

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

Company Name: (Below)
 PIONEER TELEPHONE COMPANY

Line #	Description	Prior Year End of Yr. Balance - 2013	Current Year End of Yr. Balance - 2014	Difference	% Change
1	Access Lines: Residential	529	517	(12)	-2.3%
2	Business	162	163	1	0.6%
3	Total	691	680	(11)	-1.6%

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

Company Name: (Below)
 PIONEER TELEPHONE COMPANY

Line #	Description	Prior Year 2013 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2013 (C)
1	Local Network Services Revenues	132,904		132,904
2	Network Access Services Revenues	1,473,844		1,473,844
3	Long Distance Network Services Revenues	26,485		26,485
4	Carrier Billing and Collection Revenues	10,425		10,425
5	Miscellaneous Revenues	11,394		11,394
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(922)		(922)
7	Net Operating Revenues (1 thru 6)	1,654,130	0	1,654,130
8	Plant Specific Operations Expense	341,804	(13,932)	327,872
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	13,624	18,910	32,534
10	Depreciation Expense	545,467	(756)	544,711
11	Amortization Expense			0
12	Customer Operations Expense	57,773	(3,244)	54,529
13	Corporate Operations	374,965	(12,200)	362,765
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ()			
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	374,965	(12,200)	362,765
14	Total Operations Expenses (8 thru 12 +13b)	1,333,633	(11,222)	1,322,411
15	Operating Income or Margins (7 less 14)	320,497	11,222	331,719
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	75,604	(501)	75,103
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	113,585	(8,681)	104,904
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	189,189	(9,182)	180,007
21	Net Operating Income or Margins (15+16-20)	131,308	20,404	151,712
22	Interest on Funded Debt			0
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	10		10
25	Allowance for Funds Used During Construction (CR)			0
26	Total Fixed Charges (22+23+24-25)	10	0	10
27	Nonoperating Net Income	54,386		54,386
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	16,772	(20,404)	(3,632)
31	Total Net Income or Margins (21+27+28+29+30-26)	202,456	0	202,456
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	6,125,782		6,125,782
34	Miscellaneous Credits Year-to-Date	(51,724)		(51,724)
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date	(83,548)		(83,548)
38	Transfers to Patronage Capital			0
39	Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)	6,360,062	0	6,360,062
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	0		0
45	Cash Ratio ((14+20-10-11)/7)	0.5909	#DIV/0!	0.5790
46	Operating Accrual Ratio ((14+20+26)/7)	0.9206	#DIV/0!	0.9083
47	TIER ((31+26)/26)	20,246.6000	#DIV/0!	20,246.6000
48	DSCR ((31+26+10+11)/44)	#DIV/0!	#DIV/0!	#DIV/0!

(C)

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 8, Inc. Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 57 of Page 1, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Part 64 offset to nonregulated income (No Impact to retained earnings)
- (C) Corp. Op. Adj Exp. Reduction - See Exhibit 7 of Petition which takes () amount * 65% to Line 13a, Column C
 (Reduces total operating expense (L 14) and increases Operating Inc. (L15)

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

Company Name: (Below)
PIONEER TELEPHONE COMPANY

Line #	Description	Current Year 2014 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2014 (C)
1	Local Network Services Revenues	134,207		134,207
2	Network Access Services Revenues	1,388,971		1,388,971
3	Long Distance Network Services Revenues	39,923		39,923
4	Carrier Billing and Collection Revenues	1,878		1,878
5	Miscellaneous Revenues	8,864		8,864
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(927)		(927)
7	Net Operating Revenues (1 thru 6)	1,572,916	0	1,572,916
8	Plant Specific Operations Expense	342,707	(25,316)	317,391
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	40,970	33,173	74,143
10	Depreciation Expense	504,963	(1,813)	503,150
11	Amortization Expense			0
12	Customer Operations Expense	61,948	(892)	61,056
13	Corporate Operations	391,445	(35,631)	355,814
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ()			
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	391,445	(35,631)	355,814
14	Total Operations Expenses (8 thru 12 +13b)	1,342,033	(30,479)	1,311,554
15	Operating Income or Margins (7 less 14)	230,883	30,479	261,362
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	62,704	(466)	62,238
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	55,869	(810)	55,059
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	118,573	(1,276)	117,297
21	Net Operating Income or Margins (15+16-20)	112,310	31,755	144,065
22	Interest on Funded Debt			0
23	Interest Expense - Capital Leases			0
24	Other Interest Expense			0
25	Allowance for Funds Used During Construction (CR)			0
26	Total Fixed Charges (22+23+24-25)	0	0	0
27	Nonoperating Net Income	4,612		4,612
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	15,990	(31,755)	(15,765)
31	Total Net Income or Margins (21+27+28+29+30-26)	132,912	0	132,912
32	Total Taxes Based on Income			0
33	Retained Earning or Margins Beginning-of-Year	6,360,062		6,360,062
34	Miscellaneous Credits Year-to-Date	8,553		8,553
35	Dividends Declared (Common)	1,000,000		1,000,000
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)	5,501,527	0	5,501,527
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	0		0
45	Cash Ratio ((14+20-10-11)/7)	0.6076	#DIV/0!	0.5885
46	Operating Accrual Ratio ((14+20+26)/7)	0.9286	#DIV/0!	0.9084
47	TIER ((31+26)/26)	#DIV/0!	#DIV/0!	#DIV/0!
48	DSCR ((31+26+10+11)/44)	#DIV/0!	#DIV/0!	#DIV/0!

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 8, Inc. Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 57 of Page 2, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Part 64 offset to nonregulated income (No Impact to retained earnings)
- (C) Corp. Op. Adj Exp. Reduction - See Exhibit 7 of Petition which takes () amount * 65% to Line 13a, Column C (Reduces total operating expense (L 14) and increases Operating Inc. (L15)

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

Company Name:
 PIONEER TELEPHONE COMPANY

Line #	Description	Adjusted Prior Year 2013	Adjusted Current Year 2014
1	Local Network Services Revenues	132,904	134,207
2	Network Access Services Revenues	1,473,844	1,388,971
3	Long Distance Network Services Revenues	26,485	39,923
4	Carrier Billing and Collection Revenues	10,425	1,878
5	Miscellaneous Revenues	11,394	8,864
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(922)	(927)
7	Net Operating Revenues (1 thru 6)	1,654,130	1,572,916
8	Plant Specific Operations Expense	327,872	317,391
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	32,534	74,143
10	Depreciation Expense	544,711	503,150
11	Amortization Expense	0	0
12	Customer Operations Expense	54,529	61,056
13	Corporate Operations	362,765	355,814
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ()	0	0
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	362,765	355,814
14	Total Operations Expenses (8 thru 12 +13b)	1,322,411	1,311,554
15	Operating Income or Margins (7 less 14)	331,719	261,362
16	Other Operating Income and Expenses ()	0	0
17	State and Local Taxes	75,103	62,238
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	104,904	55,059
19	Other Taxes	0	0
20	Total Operating Taxes (17+18+19)	180,007	117,297
21	Net Operating Income or Margins (15+16-20)	151,712	144,065
22	Interest on Funded Debt	0	0
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	10	0
25	Allowance for Funds Used During Construction	0	0
26	Total Fixed Charges (22+23+24-25)	10	0
27	Nonoperating Net Income	54,386	4,612
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(3,632)	(15,765)
31	Total Net Income or Margins (21+27+28+29+30-26)	202,456	132,912
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	6,125,782	6,360,062
34	Miscellaneous Credits Year-to-Date	(51,724)	8,553
35	Dividends Declared (Common)	0	1,000,000
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	(83,548)	0
38	Transfers to Patronage Capital	0	0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	6,360,062	5,501,527
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	Patronage Capital End-of-Year (40+41-42)	0	0
44	Annual Debt Service Payments	0	0
45	Cash Ratio ((14+20-10-11)/7)	0.5790	0.5885
46	Operating Accrual Ratio ((14+20+26)/7)	0.9083	0.9084
47	TIER ((31+26)/26)	20,246.6000	#DIV/0!
48	DSCR ((31+26+10+11)/44)	#DIV/0!	#DIV/0!

Footnote

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

Note:

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

2013 2014

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

Company Name: (Below)
 PIONEER TELEPHONE COMPANY

Line #	Description	Part 32 Account	Prior Year 2013	Current Year 2014
1	End User Revenue (SLC, ARC, etc.)	5081	70,166	73,455
2	Switched Access (excluding USF):	5082		
2a	Intrastate		234,483	22,409
2b	Interstate (includes CAF)		191,426	314,215
3	Special Access:	5083		
3a	Intrastate		70,838	48,823
3b	Interstate		192,967	209,801
4	Federal USF (ICLS/HCL/SN)	Varies	713,964	680,076
5	State USF			40,193
6	Other*			
7	Total (must equal line 2 of Income Stmt.)		1,473,844	1,388,971
8	Line 2 of Income Stmt.		1,473,844	1,388,971
9	Difference		0	0

Footnote:

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

Line 2b and 4 for Prior Year 2013 changed due to CAF amount \$127,704 was included in the Federal USF line 4 instead of line 2b last year
 Line 2a Intrastate 2014 revenues significantly down from prior year due to overstated intrastate originating rate on 2013 bills that was corrected in 2014 for approximately \$80,000 and continued intrastate terminating rates decreasing and moving to interstate terminating rates

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

Part 32 Account
Debit Credit

Description of Out-of-Period - 2014 (As Recorded)

Adjustment #1:

Adjustment #2:

Adjustment #3:

Adjustment #4

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

Company Name: (Below)
 PIONEER TELEPHONE COMPANY

Line #	Description	2014
1	Rate Base (Jan. 1)	4,383,920
2	Rate Base (Dec 31)	3,966,402
3	Average Rate Base	4,175,161
4	Net Operating Income	144,065
5	Out-of-Period Adjustments Net of FIT (A)	0
6	Adjusted Net Operating Income	144,065
7	Earned Regulated Rate of Return	3.45%
8	Consolidated Equity (Jan 1)	8,215,358
9	Consolidated Equity (Dec 31)	6,954,907
10	Average Equity	7,585,133
11	Consolidated Net Income	222,191
12	Out-of-Period Adjustments Net of FIT (B)	0
13	Adjusted Consolidated Net Income	222,191
14	Earned Return on Equity	2.93%

Footnote:

(A) Source: Line 31 from Out-of-Period Adjustment work sheet

Confidential per WAC 480-07-160

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

Reviewed Consolidated Financial Statements

December 31, 2014 and 2013

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

Reviewed Consolidated Financial Statements

December 31, 2014 and 2013

INDEPENDENT ACCOUNTANT'S REVIEW REPORT 1

REVIEWED CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Stockholders' Equity	6
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1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Accountant's Review Report

Board of Directors
Pioneer Telephone Holding Company, Inc. and Subsidiaries
LaCrosse, Washington

We have reviewed the accompanying consolidated balance sheets of Pioneer Telephone Holding Company, Inc. and Subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

JOHNSON, STONE & PAGANO, P.S.

January 29, 2015

REVIEWED CONSOLIDATED FINANCIAL STATEMENTS

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents		
Short-term investments		
Accounts receivable		
Recoverable federal income taxes		
Materials and supplies - at average cost		
Prepaid expenses		
Total Current Assets		
INVESTMENTS AND OTHER ASSETS		
Rural Telephone Finance Co-operative capital certificates		
Deferred federal income taxes		
Investment in land and building - less accumulated depreciation		
Total Investments and Other Assets		
PROPERTY, PLANT AND EQUIPMENT		
Land		
Depreciable plant and equipment		
Allowances for depreciation (deduction)		
Total Property, Plant and Equipment		
TOTAL ASSETS		

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable		
Taxes, other than income taxes		
Other current liabilities		
Deferred revenue		
Total Current Liabilities		
DEFERRED FEDERAL INCOME TAXES		
Total Liabilities		
STOCKHOLDERS' EQUITY		
Common stock, no par value;		
Authorized		
Issued and outstanding		
Retained earnings		
Accumulated other comprehensive income (loss)		
Total Stockholders' Equity		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		



**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Telecommunications service revenues		
Other operating revenues		
Total Revenues		
EXPENSES		
Operating expenses		
General and administrative		
Depreciation and amortization		
Other operating expenses		
Taxes, other than income taxes		
Total Expenses		
Operating Income		
OTHER INCOME (EXPENSE)		
Interest and dividend income		
Gain on sale of investments		
Miscellaneous expense		
Total Other Income		
Income before Income Taxes		
INCOME TAXES		
Deferred		
Total Income Taxes		
NET INCOME		





See independent accountant's review report and accompanying notes to consolidated financial statements.

Confidential per WAC 480-07-160

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
NET INCOME		
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gains (losses) on investments, net of deferred income taxes (benefits) 		
COMPREHENSIVE INCOME		

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2014 and 2013

	<u>Common Stock</u>		<u>Retained</u>	<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Earnings</u>	<u>Other</u>	<u>Total</u>
				<u>Comprehensive</u>	
				<u>Income (Loss)</u>	
BALANCE AT DECEMBER 31, 2012					
Common stock split					
Dividends paid					
Redemption of common stock					
Common stock issued					
Net income for the year					
Other comprehensive loss					
BALANCE AT DECEMBER 31, 2013					
Dividends paid					
Redemption of common stock					
Common stock issued					
Net income for the year					
Other comprehensive income					
BALANCE AT DECEMBER 31, 2014					

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of investments		
Depreciation of plant and equipment		
Depreciation and amortization of other assets		
Deferred federal income taxes		
Noncash transfer of income taxes currently payable to deferred income taxes		
Net change in operating assets and liabilities		
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments		
Proceeds from sale of short-term investments		
Additions to property, plant and equipment		
Salvage on property, plant and equipment		
Net Cash Provided (Used) by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Common stock issued		
Dividends paid		
Redemption of common stock		
Net Cash Used by Financing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents at Beginning of Year		
CASH AND CASH EQUIVALENTS AT END OF YEAR		

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Accounts receivable		
Recoverable federal income taxes		
Materials and supplies		
Prepaid expenses		
Increase (decrease) in liabilities		
Accounts payable		
Taxes, other than income taxes		
Other current liabilities		
Deferred revenue		
NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Income taxes paid (received)		



See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

The accounting and reporting policies of the Pioneer Telephone Holding Company, Inc. (the "Company") and Subsidiaries conform with accounting principles generally accepted in the United States of America and practices within the telecommunications industry. The policies that materially affect financial position, results of operations and cash flows are summarized as follows:

Organization

Several years ago, the stockholders reorganized their interest in Pioneer Telephone Company ("Pioneer") by exchanging their stock in Pioneer for stock in Pioneer Telephone Holding Company, Inc., making Pioneer a wholly-owned subsidiary of the Company. The method used in accounting for the business combination was the pooling of interests method.

Effective June 30, 2013, Pioneer Telephone Long Distance Company, a wholly-owned subsidiary of the Company, was merged with Pioneer. The remaining equity of Pioneer Long Distance Company in the amount of \$ [REDACTED] was transferred from the Company into Pioneer. Also effective June 30, 2013, Pioneer Communications Company, a wholly-owned subsidiary of the Company, was merged with and into the Company.

In 2013 the Company increased the authorized shares from [REDACTED] in a twenty for one forward common stock split.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Pioneer Telephone Company, and operations of Pioneer Communications Company and Pioneer Telephone Long Distance Company to June 30, 2013. All material intercompany accounts and transactions have been eliminated in consolidation.

Operations

The Company and its subsidiaries are engaged in providing telecommunications local exchange, network access, long distance, other telecommunications services, broadband access services and internet access services to customers in Adams and Whitman Counties in eastern Washington.

Pioneer is a small rate-of-return carrier. The Federal Communications Commission ("FCC") Report and Order and Further Notice of Proposed Rulemaking ("FCC 11-161") reformed the universal service and intercarrier compensation systems. These reforms modified the manner in which Pioneer recovers its telecommunications revenue requirements.

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Regulation

Pioneer and Pioneer Telephone Long Distance Company are subject to the accounting and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and adhere to the FCC Uniform System of Accounts for Class B telephone companies as prescribed by the FCC under Part 32.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers cash to be cash on hand, in checking accounts, money market accounts and time certificates of deposit with maturities of less than one year.

Short-term Investments

Short-term investments consist of investments in equities, mutual funds, bond mutual funds and bonds. The Company classifies the investments as "available for sale," and the investments are stated at fair value. Realized gains and losses are calculated using the average cost method and are included in income; unrealized gains and losses are reported in other comprehensive income (loss) on the statements of comprehensive income.

Accounts Receivable

The Company and Pioneer extend credit to their business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling losses. Accounts receivable are recorded when subscriber bills, carrier access bills and exchange carrier associations settlement statements are rendered. Certain exchange carrier associations' settlements are subject to out-of-period adjustments and are recorded during the year in which they become determinable. Accounts receivable are written off when they are determined to be uncollectible. The Company and Pioneer believe no allowance for doubtful accounts is necessary at December 31, 2014 and 2013. As of December 31, 2014, there was approximately █% of accounts receivable outstanding over 90 days or more.

Fair Value Measurements

The Company measures fair value of its assets, liabilities and related disclosures in accordance with a hierarchy based on defined inputs. The hierarchy prioritizes the inputs underlying fair value measurements and requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements. Level 1 inputs are more reliable and objective than Level 2 inputs which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, the Company is required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Accounting for Long-lived Assets

The Company periodically reviews its long-lived assets such as property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2014 and 2013, management has determined that there were no material impairment charges to be recorded as of those dates.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated on a straight-line basis for accounting purposes. Lives used for calculating depreciation on telecommunications plant are in accordance with the rules of the WUTC and are based on the estimated economic useful lives of the assets. Likewise, lives used for calculating depreciation on all other property and equipment are based on the estimated economic useful lives of the assets.

Telecommunications Plant Retirements

When an asset is retired or otherwise disposed of, the cost of the asset is removed from the asset account and charged to the related allowance for depreciation. Similarly, the cost of removal and salvage proceeds are charged or credited to the allowance for depreciation. Consequently, no gain or loss upon disposition is recognized.

Revenue Recognition, Major Customers and Services

Services provided by the Company and Pioneer include primarily local network, network access services, long distance access services, digital subscriber lines and broadband access services included in telecommunications service revenues. Network access service revenues, which represent a major portion of Pioneer's operating revenues, are derived from the provision of exchange access services to interexchange carriers or to an end user of telecommunication services beyond Pioneer's local network.

Revenues for certain interstate access services are currently received through tariffed access charges filed by the National Exchange Carrier Association ("NECA") with the Federal Communications Commission ("FCC") on behalf of the NECA member companies. These access charges are billed by Pioneer to interstate interexchange carriers and pooled with like-revenues from all NECA member companies. The pooled access charge revenues received by Pioneer are based upon the actual cost of providing interstate access services, plus a return on the investment dedicated to providing these services. Pooled access charge revenues are estimated at December 31 each year and are subject to adjustment. Such adjustments are normal occurrences and are recorded by Pioneer during the year in which they occur.

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Revenue Recognition, Major Customers and Services (Continued)

The FCC 11-161 modified and replaced the existing universal service and intercarrier compensation system with universal service reform and intercarrier compensation reform. A Connect America Fund has been established to replace all existing high-cost support mechanisms and sets broadband service requirements. Alongside the broadband service rules, reforms to establish a framework to limit reimbursements for excessive capital and operating expenses were implemented as of July 1, 2012 and phase outs of certain support payments occurred. Intercarrier compensation reform adopts a uniform bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with Pioneer. Intercarrier compensation rates are capped and the disparity between intrastate and interstate terminating end office rates are being brought to parity in two steps as outlined in FCC 11-161. The state's public utilities commissions will be overseeing the modifications to rates in intrastate tariffs. Limits on carriers' total eligible recovery will reflect existing downward trends on intercarrier compensation revenues with declining switching costs and minutes of use.

Pioneer continues to review the reforms and modifications to the support that it receives and understands that those reforms and modifications could have an adverse effect on Pioneer's revenues and cash flow. Revenue impacts are subject to change based on future data submissions and further clarification from the FCC.

Revenues for intrastate access services are received through tariffed access charges filed by Pioneer at the WUTC. Once filed, the tariffed access charges become effective if specifically approved by the WUTC or allowed to become effective by operation of law. The intrastate switched access charges are billed by Pioneer to intrastate interexchange carriers. Intrastate special access charges are also billed to intrastate interexchange carriers that order such services and, in some cases, to retail customers that order special access services. Before July 1, 2014, the switched access charges associated with carrier common line and state universal service fund were pooled with all Washington Exchange Carrier Association ("WECA") member companies and Pioneer received a distribution of net revenues based upon Pioneer's proportionate share of WUTC approved revenue objectives of all participating WECA member companies.

Effective July 1, 2014, the WUTC implemented a state universal communications service program ("State USF Program") that temporarily replaced the terminated universal service support pool ("Traditional USF") administered by WECA and also replaced the cumulative reduction in support Pioneer received from the federal Connect America Fund ("CAF"). The State USF Program was to begin January 2015 which resulted in a cash flow issue for some of the companies that met the WUTC criteria to be eligible for such support. The

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Revenue Recognition, Major Customers and Services (Continued)

WUTC granted a one-time partial distribution in 2014 of the State USF Program equal to the amount Pioneer received from the Traditional USF for 2012 in the amount of \$[REDACTED]. The remainder of the annual distribution, which was comprised of the cumulative reduction in CAF support of \$[REDACTED], was disbursed in January 2015. Subsequent annual disbursements comprised of the Traditional USF and the disbursement of the cumulative CAF deficit support are scheduled to occur in January of the following State USF Program years, assuming Pioneer continues to be eligible under the program. The State USF Program year runs from July 1 to June 30, therefore, Pioneer accrued \$[REDACTED] as a receivable due from the State USF Program for the period July 1, 2014 to June 30, 2015, and deferred revenue of \$[REDACTED] for the unearned portion. The State USF Program is scheduled to last for five program years.

As of July 31, 2014, WECA terminated the pooling of originating carrier common line ("CCL") minutes of use and Pioneer opted to keep its existing originating CCL rate, which was allowed by the WUTC to become effective as a matter of law.

For some of the services that the Company provides to its customers, the Company relies upon services and facilities supplied to it by other companies. Any material disruption of the services or facilities supplied to the Company by other companies could potentially have an adverse effect upon the Company's operating results.

Pioneer Telephone Long Distance Company provides long distance message services to Pioneer's local subscribers, and was merged with and into Pioneer June 30, 2013.

Federal Income Taxes

The Company provides federal income taxes for the effects of transactions reported in the financial statements and consists of taxes currently due and deferred income taxes. The Company and its subsidiaries file federal income taxes on a consolidated basis. The consolidated tax liability of the affiliated group is allocated based on each company's contribution to consolidated taxable income.

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Federal Income Taxes (Continued)

The Company is required to recognize, measure and disclose uncertain tax positions in the Company's financial statements. Management is of the opinion that the income tax positions taken by the Company meet the more-likely-than-not threshold that the tax returns filed by the Company have greater than a ■ percent chance of being sustained under examination of the Internal Revenue Service. The Company's federal income tax returns for the tax years previous to December 31, 2011 are closed to examination.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 may differ from those estimates and assumptions used in preparing the accompanying financial statements.

Subsequent Events

The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through January 29, 2015 the date of completion of the accountant's review procedures. All identified material events or transactions have been recorded or disclosed.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Company and Pioneer maintain cash balances at six financial institutions in eastern Washington, insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Company and Pioneer periodically maintain cash balances in excess of the federally insured limits. At December 31, 2014, the Company's and Pioneer's cash balances exceeded the federally insured limit by \$■.

In addition, at December 31, 2014, the Company and Pioneer have deposits totaling \$■ in money market funds with a broker-dealer. The funds are insured by the Securities Investor Protection Corporation up to \$500,000 for brokerage accounts with a limit of \$250,000 for claims of uninvested cash balances and additional brokerage insurance through the broker-dealer's underwriters as stated in the broker-dealer account agreement.

The Company's accounts receivable are subject to potential credit risk as they are concentrated in and around LaCrosse and Endicott, Washington and are unsecured.

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 3 - FAIR VALUE DISCLOSURES

Fair value of assets measured on a recurring basis at December 31, 2014 and 2013 were as follows:

	Fair Value Measurements		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Subjective Inputs (Level 3)
<u>December 31, 2014</u>			
Fixed Income Investments			
Corporate bonds			
Equities			
Bond mutual funds			
Mutual funds			
Co-operative capital certificates			
<u>December 31, 2013</u>			
Fixed Income Investments			
U.S. Treasury notes			
Corporate bonds			
CMO and asset backed securities			
Equities			
Bond mutual funds			
Mutual funds			
Co-operative capital certificates			

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Investments valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are based on the Company's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

During 2014, the Company sold some of its investments resulting in a gain of \$ [REDACTED] with proceeds received of \$ [REDACTED].

During 2013, the Company sold some of its fixed income investments resulting in a gain of \$ [REDACTED] with proceeds received of \$ [REDACTED].

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 4 - DEPRECIABLE PLANT AND EQUIPMENT

The following is a summary of asset classifications and estimated useful lives for depreciable plant and equipment:

	Useful Lives (Years)	2014	2013
Pioneer Telephone Holding Company, Inc. Internet access equipment			
Pioneer Telephone Company Support assets Central office assets Cable and wire facilities Nonregulated equipment			
Total			

Depreciation Expense

The provision for depreciation on depreciable plant and equipment and other assets in service is as follows:

	2014	2013
Depreciable plant and equipment		
Other assets - building		
Total Depreciation Expense		

NOTE 5 - INCOME TAXES

The Company recognizes deferred federal income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent future income tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The differences relate to the following:

- Depreciable assets' lives and methods of calculating depreciation for financial and income tax reporting.

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 5 - INCOME TAXES (Continued)

- Accounting for short-term investments at fair market value for financial reporting purposes and cost for income tax purposes.
- Carryforward of a net operating loss for income tax purposes.

The tax effects of temporary differences that give rise to significant portions of deferred tax (assets) liabilities consist of the following:

	<u>2014</u>	<u>2013</u>
Property, plant and equipment	[REDACTED]	
Short-term investments		
Net operating loss carryforward		

Components of consolidated federal income taxes are as follows:

	<u>2014</u>	<u>2013</u>
Deferred	[REDACTED]	

The Company has a consolidated net operating loss carryforward of approximately \$ [REDACTED] from 2011 that is available for 20 years from the year of loss.

The Company has not established a valuation allowance at December 31, 2014 and 2013 for the deferred tax benefit that existed at that date related to the net operating loss carryforward. Management believes that the Company's future taxable income will be enough to absorb and to prevent a net operating loss carryforward from expiring unused.

NOTE 6 - LEASES

Pioneer leases certain telecommunications facilities and power from CenturyTel of Washington, Inc. The term expired September 1, 2009, and Pioneer is currently leasing the facilities on a month to month basis. Pioneer pays a monthly rate of \$ [REDACTED] and applicable taxes. Negotiations are in process to renew the lease.

Pioneer leases certain telecommunications facilities, bandwidth and transport services from a local telecommunications provider. The term of the lease consists of a three-year lease expiring July 2016, at \$ [REDACTED] per month.

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 6 - LEASES (Continued)

Future minimum payments for the next three years under the terms of the agreements referred to above in this Note 6, determined by the current monthly or scheduled payments, are as follows:

2015
2016



NOTE 7 - RETIREMENT PLAN

Pioneer has a 401(k) profit sharing plan (the "Plan"). Eligibility for participation in the Plan begins after one year of service and attainment of age 21. The Plan allows for employee elective deferrals up to the maximum allowed by law. The Plan provides for discretionary matching contributions and discretionary profit sharing contributions as determined by Pioneer. Such contributions have a 6 year graded vesting schedule with any forfeitures used to reduce the Pioneer contributions to either the discretionary matching or profit sharing contributions. Pioneer's contributions were █% of participation elective contributions with a maximum of \$█ and █% of eligible employee compensation in 2014 and 2013. Pioneer's discretionary contributions charged to expense were \$█ and \$█ in 2014 and 2013, respectively.

See independent accountant's review report and accompanying notes to consolidated financial statements.

OPERATING REPORT FOR
TELECOMMUNICATIONS
COMPANIES

Company Name: PIONEER TELEPHONE COMPANY

PERIOD ENDING: December 31, 2014

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	132,904	134,207
2. Network Access Services Revenues	1,500,329	1,388,971
3. Long Distance Network Services Revenues		39,923
4. Carrier Billing and Collection Revenues	10,425	1,878
5. Miscellaneous Revenues	11,394	8,864
6. Uncollectible Revenues	922	927
7. Net Operating Revenues (1 thru 5 less 6)	1,654,130	1,572,916
8. Plant Specific Operations Expense	341,804	342,707
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	13,624	40,970
10. Depreciation Expense	545,467	504,963
11. Amortization Expense		
12. Customer Operations Expense	57,773	61,948
13. Corporate Operations Expense	374,965	391,445
14. Total Operating Expenses (8 thru 13)	1,333,633	1,342,033
15. Operating Income or Margins (7 less 14)	320,497	230,883
16. Other Operating Income and Expenses		
17. State and Local Taxes	75,604	62,704
18. Federal Income Taxes	113,585	55,869
19. Other Taxes		
20. Total Operating Taxes (17+18+19)	189,189	118,573
21. Net Operating Income or Margins (15+16-20)	131,308	112,310
22. Interest on Funded Debt		
23. Interest Expense - Capital Leases		
24. Other Interest Expense	10	
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)	10	0
27. Nonoperating Net Income	54,386	4,612
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	16,772	15,990
31. Total Net Income or Margins (21+27+28+29+30-26)	202,456	132,912
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	6,125,782	6,360,062
34. Miscellaneous Credits Year-to-Date - Other Comprehensive Income	(51,724)	8,553
35. Dividends Declared (Common)		(1,000,000)
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date - Merger of affiliated company	83,548	
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins End-of-Period [(31+33+31) - (35+35+37+38)]	6,360,062	5,501,527

EXHIBIT 7

CORPORATE OPERATIONS EXPENSE ADJUSTMENT CERTIFICATE

I, Durand Cox, an officer of Pioneer Telephone Company (the "Company") with personal knowledge and responsibility, under penalty of perjury, hereby certify that no corporate operations adjustment to existing high-cost loop and interstate common line support mechanisms, as required by the Federal Communications Commission, applied to the Company for 2014 and 2013.

Dated at LaCrosse, Washington this 30th day of July, 2015.

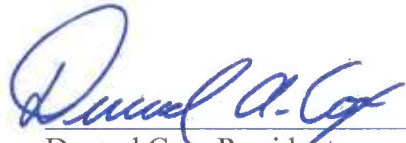

Durand Cox, President

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, Durand Cox, an officer of Pioneer Telephone Company (the "Company") with personal knowledge and responsibility, based upon my discussions with the outside consultants retained by the Company to handle such matters, under penalty of perjury, state that the Company complies with state and federal accounting, cost allocation and cost adjustment rules pertaining to incumbent local exchange companies.

Dated at LaCrosse, Washington this 30th day of July, 2015.



Durand Cox, President

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, Durand Cox, an officer of Pioneer Telephone Company (the "Company"), under penalty of perjury, hereby certify that if the Company receives Program support, the Company will continue to provide communications services pursuant to its tariffs on file with the Commission throughout its service territory in Washington for which the company is seeking and receives Program support during the entirety of 2016.

Dated at LaCrosse, Washington this 30th day of July, 2015.

A handwritten signature in blue ink, appearing to read "Durand A. Cox", is written over a horizontal line.

Durand Cox, President