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Confidential per WAC 480-07-160

**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 TO RECEIVE 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 by RCW 80.36.650 (the "Program") for the Program year 2015.

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.

PETITION OF PIONEER TELEPHONE
COMPANY TO RECEIVE SUPPORT
FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES
PROGRAM - 1

REDACTED

- 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) or has been designated as an incumbent local exchange carrier by
3 the Federal Communications Commission.
- 4 3. WAC 480-123-100(1)(c): The Company offers basic residential and business exchange
5 telecommunications services as set forth in WAC 480-120-021 and RCW 80.36.630.
- 6 4. WAC 480-123-100(1)(d): The Company's rates for residential local exchange service, plus
7 mandatory extended area service charges, are no lower than the local urban rate floor
8 established by the Commission as the benchmark rate based on the Federal Communications
9 Commission's national local urban rate floor pursuant to 47 C.F. R. Sec. 54.318 in effect on
10 the date of this Petition.
- 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 areas for which the Company is seeking Program support.

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

- 16 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications
17 services and is seeking Program support is as follows: Pioneer Telephone Company.
- 18 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between
19 the Company and all affiliates as defined in RCW 80.16.010 is attached hereto as Exhibit 1.¹

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24 ¹ Pursuant to agreement with the Commission Staff, Exhibit 1 is limited to those affiliates having
25 transactions with the Company that are to be identified in Exhibit 2.

1 A detailed description of any transactions between the Company and the affiliates named in
2 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.²

- 3 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet No.
4 2.2 in Section IV of the Company's Tariff WN U-3.
- 5 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate
6 instability or service interruption or cessation in the absence of support from the Program is
7 attached as Exhibit 3.
- 8 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,
9 are copies of the Company's balance sheet as of December 31, 2013, and December 31,
10 2012, and copies of the Company's statements of income and retained earnings or margin for
11 the years ended December 31, 2013, and December 31, 2012.
- 12 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's consolidated annual financial
13 statements for the years ended December 31, 2013, and December 31, 2012, reviewed by a
14 certified public accountant, are attached as Exhibit 5.
- 15 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of
16 return on a total Washington unseparated regulated operations basis for each of the two prior
17 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.
- 18 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on
19 equity on a total company (regulated and non-regulated) Washington basis for each of the
20 two prior years, calculated in the manner prescribed by the Commission, is provided in
21 Exhibit 4.

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24 ² Pursuant to agreement with the Commission Staff, Exhibit 2 is limited to transactions other than
25 employment compensation and benefits pursuant to employee benefit plans.

- 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 section in the same format and detail
3 as is required to complete RUS Form 479 for the prior two years is attached as Exhibit 6.
- 4 10. WAC 480-123-110(1)(e)(vi): A statement under penalty of perjury from a Company officer
5 with personal knowledge and responsibility certifying that no corporate operations
6 adjustment to existing high-cost loop and interstate common line support mechanisms
7 required by the Federal Communications Commission applied to the Company for the two
8 prior years is attached hereto as Exhibit 7.
- 9 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information
10 requested by the Commission.
- 11 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company
12 officer with personal knowledge and responsibility certifying that the Company complies
13 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to
14 incumbent local exchange companies is attached as Exhibit 8.
- 15 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or
16 on its behalf with the Federal Communications Commission for the calendar year preceding
17 the current year has already been filed with the Commission. See the Company's filing in
18 Docket No. UT-143013 filed on or about July 1, 2014.
- 19 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by
20 the Company as of December 31, 2013, was 529. The number of residential local exchange
21 access lines served by the Company as of December 31, 2012, was 540. The number of
22 business local exchange access lines served by the Company as of December 31, 2013, was
23 162. The number of business local exchange access lines served by the Company as of
24 December 31, 2012, was 162. The monthly recurring rate charged by the Company for
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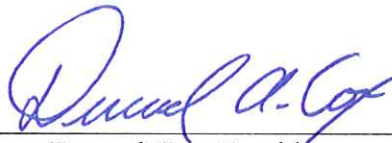
1 residential local exchange access service on December 31, 2013, was \$14.00. The monthly
2 recurring rate charged by the Company for residential local exchange access service on
3 December 31, 2012, was \$14.00. The monthly recurring rate charged by the Company for
4 single line business local exchange access service on December 31, 2013, was \$14.50. The
5 monthly recurring rate charged by the Company for single line business local exchange
6 access service on December 31, 2012, was \$14.50. (The Company has other business local
7 exchange service rates, but the Company understands that WAC 480-123-110(1)(g) is
8 requesting the single line business local exchange access service rate.)

9 15. WAC 480-123-110(1)(h): The requested statement is attached as Exhibit 9.

10 16. All exhibits attached hereto are incorporated into this Petition as though fully set forth.

11 Respectfully submitted this 30th day of July, 2014.

12
13 PIONEER TELEPHONE COMPANY

14
15 By 
16 Durand Cox, President

17 CERTIFICATION

18 I, Durand Cox, an officer of the Company that is responsible for the Company's business
19 and financial operations, hereby certify under penalty of perjury that the information and
20 representations set forth in the Petition, above, are accurate and the Company has not knowingly
21 withheld any information required to be provided to the Commission pursuant to the rules
governing the Program.


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23 
24 Durand Cox, President

EXHIBIT 1

CORPORATE ORGANIZATION CHART

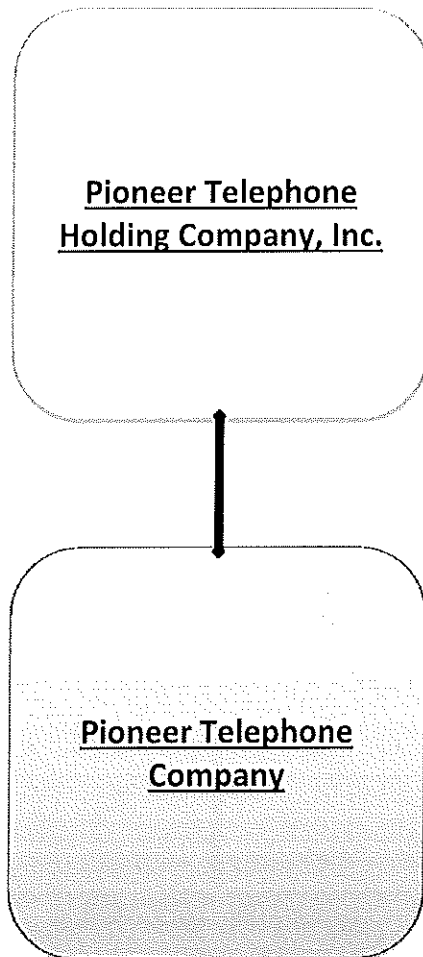


EXHIBIT 2

AFFILIATED TRANSACTIONS

Pioneer Telephone Company ("Company") has affiliated transactions with its parent holding company Pioneer Telephone Holding Company, Inc. During 2013, these transactions consisted of the following:

- Loan advances from Company to the parent. These advances are recorded on the Company's book to an affiliated receivable 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 Pioneer Telephone Company ("Company") finds itself is one of great financial uncertainty. In large part, this financial uncertainty stems from the Transformation Order issued by the Federal Communications Commission.¹ The 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 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 Company had been exploring ways of addressing access bypass to increase access revenues. However, any increase in access revenues under the Transformation Order would simply be a reduction in CAF support and no new net revenues would be produced. The CAF support reduction began July 2012. Projecting through the calendar year 2015, including additional reductions that will occur July 1, 2015, the Company is seeing a reduction in annual support from the base line revenue amount of approximately \$64,800.

In addition, by order of this Commission, the traditional universal service access rate element and related pooling fund have been terminated effective July 1, 2014. Using 2012 as a base line, which is the latest year with final pool numbers, the Company is facing a loss of traditional universal service fund revenues of approximately \$15,580 per year.

In addition, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Further, in moving to the federal urban rate floor, the Company has seen an accelerated pace of customers giving up their land line telephone service subscribership. A loss of customers easily equates to a loss of revenue without a corresponding reduction in expenses.

In addition, during the year ended December 31, 2013, the Company has seen its Federal high cost loop support declining from \$409,008 in 2012 to \$379,056 in 2013.

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 Fund*, 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 or Transformation Order*).

These factors have led to the risky 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 state universal service communications program, the Company may be faced with a choice of increasing rates further, which may drive more customers away, or cutting service in order to be able to match expenses to revenues. Neither choice presents a viable path for providing good 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.

Company Name: (Below)
 PIONEER TELEPHONE COMPANY

ASSETS	Balance End of Year 2012 (A)	Part 64 Adj to NonReg 2012 (B)	Adj. Balance End of Year 2012	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance Prior Year 2012 (A)	Part 64 Adj to NonReg 2012 (B)	Adj. Balance End of Year 2012
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	1,622,287		1,622,287	25. Accounts Payable	85,914		85,914
2. Cash-RUS Construction Fund	0		0	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	370		370
a. Telecom, Accounts Receivable	0		0	28. Customer Deposits	0		0
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	10,705		10,705	32. Income Taxes Accrued	76,454		76,454
b. Other Accounts Receivable	18,126		18,126	33. Other Taxes Accrued	69,670		69,670
c. Notes Receivable	0		0	34. Other Current Liabilities	89,616		89,616
5. Interest and Dividends Receivable	0		0	35. Total Current Liabilities (25 thru 34)	322,024		322,024
6. Material-Regulated	59,103		59,103	LONG-TERM DEBT			
7. Material-Nonregulated	4,599		4,599	36. Funded Debt-RUS Notes	0		0
8. Prepayments	19,100		19,100	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	1,851,195		1,851,195	38. Funded Debt-FFB Notes	0		0
10. Total Current Assets (1 Thru 9)	3,585,115		3,585,115	39. Funded Debt-Other	0		0
NONCURRENT ASSETS				40. Funded Debt-Rural Develop. Loan	0		0
11. Investment in Affiliated Companies	0		0	41. Premium (Discount) on L/T Debt	0		0
a. Rural Development	0		0	42. Reacquired Debt	0		0
b. Nonrural Development	0		0	43. Obligations Under Capital Lease	0		0
12. Other Investments	36,292		36,292	44. Adv. From Affiliated Companies	1,743,575		1,743,575
a. Rural Development	0		0	45. Other Long-Term Debt	0		0
b. Nonrural Development	0		0	46. Total Long-Term Debt (36 thru 45)	1,743,575		1,743,575
13. Nonregulated Investments (B1)	0		0	OTHER LIAB. & DEF. CREDITS			
14. Other Noncurrent Assets	0		0	47. Other Long-Term Liabilities	0		0
15. Deferred Charges	0		0	48. Other Deferred Credits (C)	445,503	(233)	445,270
16. Jurisdictional Differences	0		0	49. Other Jurisdictional Differences	0		0
17. Total noncurrent Assets (11 thru 16)	36,292		36,292	50. Total Other Liab. & Def. Credits (47 thru 49)	445,503	(233)	445,270
PLANT, PROPERTY AND EQUIPMENT				EQUITY			
18. Telecom Plant-in-Service	12,064,629	(28,289)	12,036,340	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	3,744		3,744	53. Treasury Stock	0		0
21. Plant Adj., Nonop Plant & Goodwill	0		0	54. Membership and cap. Certificates	0		0
22. Accumulated Depreciation (CR.)	(6,996,844)		(6,996,844)	55. Other Capital	0		0
23. Net Plant (18 thru 21 less 22)	5,071,529	(3,714)	5,067,815	56. Patronage Capital Credits	0		0
TOTAL ASSETS (10+17+23)	8,682,936	0	8,682,936	57. Retained Earnings or Margins (B2)	6,125,782	233	6,126,015
				58. Total Equity (51 thru 57)	6,181,834	233	6,182,067
				59. TOTAL LIABILITIES AND EQUITY (35+46+50-58)	8,692,936	0	8,692,936

(A) - As reported on Form 481
 (B) - Part 64 adjustments to rate base from regulated to nonregulated.
 (B1) - Part 64 offset to nonreg investment
 (B2) - Part 64 offset to retained earnings
 (C) - Part 64 Adj. for line 48 is only for deferred taxes.

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	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance Prior Year 2013 (A)	Part 64 Adj to NonReg 2013 (B)	Adj. Balance End of Year 2013
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		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		1,097
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		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		0	34. Other Current Liabilities	24,455		24,455
5. Interest and Dividends Receivable	0		0	35. Total Current Liabilities (25 thru 34)	260,797		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		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. Reactquired 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
b. Nonrural Development	0		0	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		0	48. Other Deferred Credits (C)	0		0
15. Deferred Charges	0		0	49. Other Jurisdictional Differences	0		0
16. Jurisdictional Differences	0		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		0	54. Membership and cap. Certificates	0		0
20. Plant Under Construction	0		0	55. Other Capital	0		0
21. Plant Adj., Nonop Plant & Goodwill	(7,473,474)	26,675	(7,446,799)	56. Patronage Capital Credits	0		0
22. Accumulated Depreciation (CR.)	4,766,098	(4,252)	4,761,846	57. Retained Earnings or Margins (B2)	6,360,062	340	6,360,402
23. Net Plant (18 thru 21 less 22)				58. Total Equity (51 thru 57)	6,416,114	340	6,416,454
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

(A) - As reported on Form 481
(B) - Part 64 adjustments to rate base from regulated to nonregulated.
(B1) - Part 64 offset to nonreg investment
(B2) - Part 64 offset to retained earnings
(C) - Part 64 Adj. for line 48 is only for deferred taxes.

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)
Adjusted Prior and Current Year Balance Sheet

Company Name: (Below)
PIONEER TELEPHONE COMPANY

ASSETS	Adjusted Prior Year Balance 2012	Adjusted Current Year Balance 2013	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2012	Adjusted Prior Year Balance 2013
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	1,622,287	998,002	25. Accounts Payable	85,914	88,875
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	370	1,097
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	10,705	17,394	32. Income Taxes Accrued	76,454	76,339
b. Other Accounts Receivable	18,126	34,970	33. Other Taxes Accrued	69,670	70,031
c. Notes Receivable	0	0	34. Other Current Liabilities	89,616	24,455
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	322,024	260,797
6. Material-Regulated	59,103	65,521	LONG-TERM DEBT		
7. Material-Nonregulated	4,599	4,676	36. Funded Debt-RUS Notes	0	0
8. Prepayments	19,100	21,059	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	1,851,195	156,445	38. Funded Debt-FFB Notes	0	0
10. Total Current Assets (1 Thru 9)	3,585,115	1,298,067	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	0	1,020,768	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	1,743,575	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	0	0	46. Total Long-Term Debt (36-45)	1,743,575	0
13. Nonregulated Investments	40,006	39,838	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	0	0	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	0	0	48. Other Deferred Credits (B)	445,270	443,268
16. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences	0	0
17. Total noncurrent Assets (11 thru 16)	40,006	1,060,606	50. Total Other Liab. & Def. Credits (47 thru 49)	445,270	443,268
PLANT, PROPERTY AND EQUIPMENT			EQUITY		
18. Telecom Plant-in-Service	12,036,340	12,208,645	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	3,744	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.)	(6,972,269)	(7,446,799)	55. Other Capital	0	0
23. Net Plant (18 thru 21 less 22)	5,067,815	4,761,846	56. Patronage Capital Credits	0	0
TOTAL ASSETS (10+17+23)	8,692,936	7,120,519	57. Retained Earnings or Margins	6,126,015	6,360,402
			58. Total Equity (51 thru 57)	6,182,067	6,416,454
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	8,692,936	7,120,519

Note:
Adjusted Balances represents balances after current year Part 64 adjustments (B) - Provide Deferred Taxes on separate rate base schedule

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)
 Prior and Current Year Rate Base

Company Name: (Below)
 PIONEER TELEPHONE COMPANY

	Line #	Adj. Balance End of Year 2012	Adj. Balance End of Year 2013	Average Adj End of Year Balance
Average Rate Base:				
Total Regulated Adjusted Telecom Plant-in-service	18	12,036,340	12,208,645	12,122,493
Total Property Held for Future Use	19	0	0	0
Total Regulated Adjusted Accumulated Depreciation (CR)	22	(6,972,269)	(7,446,799)	(7,209,534)
Total Regulated Materials & Supplies	6	59,103	65,521	62,312
Deferred Income Taxes (CR)		(418,803)	(443,447)	(431,125)
Total Regulated Rate Base		4,704,371	4,383,920	4,544,146

Note:

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

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)
 Statistics - Prior and Current Year

Company Name: (Below)
 PIONEER TELEPHONE COMPANY

Description	Prior Year End of Yr. Balance - 2012	Current Year End of Yr Balance - 2013	Difference	% Change
Access Lines:				
Residential	540	529	(11)	-2.0%
Business	162	162	0	0.0%
Total	702	691	(11)	-1.6%
<hr/>				
	End of Yr. Balance - 2012	End of Year Balance -2013	Difference	% Change
Broadband Connections	317	311	(6)	-1.9%
<hr/>				
	Prior Yr. 2012	Current Yr. 2013	Difference	% Change
Total Annual Amount:				
Gross Capital Expenditures	407,361	273,036	(134,325)	-33.0%

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)
 Prior year Adjusted Income Statement

FCC Form 481

Part B Statement of Income and Retained Earnings Statement

Company Name: (Below)
 PIONEER TELEPHONE COMPANY

Line #	Item	Prior Year 2012 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2012
1	Local Network Services Revenues	105,483		105,483
2	Network Access Services Revenues	1,362,927		1,362,927
3	Long Distance Network Services Revenues	0		0
4	Carrier Billing and Collection Revenues	17,801		17,801
5	Miscellaneous Revenues	8,788		8,788
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(739)		(739)
7	Net Operating Revenues (1 thru 6)	1,494,260	0	1,494,260
8	Plant Specific Operations Expense	346,344	(10,601)	335,743
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	17,168	13,098	30,266
10	Depreciation Expense	504,329	(514)	503,815
11	Amortization Expense	1,406	0	1,406
12	Customer Operations Expense	79,902	(9,620)	70,282
13	Corporate Operations	337,114	(8,501)	328,613
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ()	0		0
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	337,114	(8,501)	328,613
14	Total Operations Expenses (8 thru 12 +13b)	1,286,263	(16,138)	1,270,125
15	Operating Income or Margins (7 less 14)	207,997	16,138	224,135
16	Other Operating Income and Expenses ()	0		0
17	State and Local Taxes	75,771	(624)	75,147
18	Federal Income Taxes (A1)	(27,545)	4,304	(23,241)
19	Other Taxes	0		0
20	Total Operating Taxes (17+18+19)	48,226	3,680	51,906
21	Net Operating Income or Margins (15+16-20)	159,771	12,458	172,229
22	Interest on Funded Debt	258,583		258,583
23	Interest Expense - Capital Leases	0		0
24	Other Interest Expense	61		61
25	Allowance for Funds Used During Construction (CR)	0		0
26	Total Fixed Charges (22+23+24-25)	258,644	0	258,644
27	Nonoperating Net Income	112,373		112,373
28	Extraordinary Items	0		0
29	Jurisdictional Differences	0		0
30	Nonregulated Net Income (B1)	11,430	(12,458)	(1,028)
31	Total Net Income or Margins (21+27+28+29+30-26)	24,930	0	24,930
32	Total Taxes Based on Income	0		0
33	Retained Earning or Margins Beginning-of-Year	5,996,521		5,996,521
34	Miscellaneous Credits Year-to-Date	104,331		104,331
35	Dividends Declared (Common)	0		0
36	Dividends Declared (Preferred)	0		0
37	Other Debits Year-to-Date	0		0
38	Transfers to Patronage Capital	0		0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	6,125,782	0	6,125,782
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	0
44	Annual Debt Service Payments	5,890,265		5,890,265
45	Cash Ratio ((14+20-10-11)/7)	0.5546	#DIV/0!	0.5466
46	Operating Accrual Ratio ((14+20+26)/7)	1.0662	#DIV/0!	1.0578
47	TIER ((31+26)/26)	1.0964	#DIV/0!	1.0964
48	DSCR ((31+26+10+11)/44)	0.1340	#DIV/0!	0.1339

Notes:

- (A) As reported on Form 481
- (A1) S Corporations provide effective tax rate on Income Statement
Summary Schedule footnote, Page 8
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Part 64 offset to nonregulated income (No impact to retained earnings)

PETITION OF PIONEER TELEPHONE COMPANY TO
 RECEIVE SUPPORT FROM THE STATE UNIVERSAL
 COMMUNICATIONS SERVICES PROGRAM -
 EXHIBIT 4, Page 6

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)
Current Year Adjusted Income Statement

Company Name: (Below)
PIONEER TELEPHONE COMPANY

Line #	Item	Prior Year 2013 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2013
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	0	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 ()	0	0	0
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		0
17	State and Local Taxes	75,604	(501)	75,103
18	Federal Income Taxes (A1)	113,585	(8,681)	104,904
19	Other Taxes	0		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		0
23	Interest Expense - Capital Leases	0		0
24	Other Interest Expense	10		10
25	Allowance for Funds Used During Construction (CR)	0		0
26	Total Fixed Charges (22+23+24-25)	10	0	10
27	Nonoperating Net Income	54,386		54,386
28	Extraordinary Items	0		0
29	Jurisdictional Differences	0		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	0		0
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		0
36	Dividends Declared (Preferred)	0		0
37	Other Debits Year-to-Date	(83,548)		(83,548)
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	0	6,360,062
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	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!

Notes:

- (A) As reported on Form 481
- (A1) S Corporations provide effective tax rate on Income Statement
Summary Schedule footnote, Page 8
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Part 64 offset to nonregulated income (No impact to retained earnings)

PETITION OF PIONEER TELEPHONE COMPANY
TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM -
EXHIBIT 4, Page 7

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)
 Prior and Current Year Income Statement

Company Name:
 PIONEER TELEPHONE COMPANY

Line #	Item	Adjusted Prior Year 2012	Adjusted Current Year 2013
1	Local Network Services Revenues	105,483	132,904
2	Network Access Services Revenues	1,362,927	1,473,844
3	Long Distance Network Services Revenues	0	26,485
4	Carrier Billing and Collection Revenues	17,801	10,425
5	Miscellaneous Revenues	8,788	11,394
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(739)	(922)
7	Net Operating Revenues (1 thru 6)	1,494,260	1,654,130
8	Plant Specific Operations Expense	335,743	327,872
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	30,266	32,534
10	Depreciation Expense	503,815	544,711
11	Amortization Expense	1,406	0
12	Customer Operations Expense	70,282	54,529
13	Corporate Operations	328,613	362,765
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ()	0	0
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	328,613	362,765
14	Total Operations Expenses (8 thru 12 +13b)	1,270,125	1,322,411
15	Operating Income or Margins (7 less 14)	224,135	331,719
16	Other Operating Income and Expenses ()	0	0
17	State and Local Taxes	75,147	75,103
18	Federal Income Taxes	(23,241)	104,904
19	Other Taxes	0	0
20	Total Operating Taxes (17+18+19)	51,906	180,007
21	Net Operating Income or Margins (15+16-20)	172,229	151,712
22	Interest on Funded Debt	258,583	0
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	61	10
25	Allowance for Funds Used During Construction	0	0
26	Total Fixed Charges (22+23+24-25)	258,644	10
27	Nonoperating Net Income	112,373	54,386
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(1,028)	(3,632)
31	Total Net Income or Margins (21+27+28+29+30-26)	24,930	202,456
32	Total Taxes Based on Income	0	0
33	Retained Earning or Margins Beginning-of-Year	5,996,521	6,125,782
34	Miscellaneous Credits Year-to-Date		(51,724)
35	Dividends Declared (Common)	0	0
36	Dividends Declared (Preferred)		0
37	Other Debits Year-to-Date	0	(83,548)
38	Transfers to Patronage Capital	0	0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	6,021,451	6,360,062
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	5,890,265	0
45	Cash Ratio ((14+20-10-11)/7)	0.5466	0.5790
46	Operating Accrual Ratio ((14+20+26)/7)	1.0578	0.9083
47	TIER ((31+26)/26)	1.0964	20,246.6000
48	DSCR ((31+26+10+11)/44)	0.13	#DIV/0!

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

2012 2013

PETITION OF PIONEER TELEPHONE COMPANY TO
 RECEIVE SUPPORT FROM THE STATE UNIVERSAL
 COMMUNICATIONS SERVICES PROGRAM -
 EXHIBIT 4, Page 8

2014 State USF Petition Filing requirement - WAC 480-123-110 (e)
 Network Access Services Revenue
 Prior and Current Year

Company Name: (Below)
PIONEER TELEPHONE COMPANY

Description	Part 32 Account	2012	2013
End User Revenue (SLC, ARC, etc.)	5081	69,358	70,166
Switched Access (excluding USF):	5082		
Intrastate		194,118	234,483
Interstate		36,822	63,722
Special Access:	5083		
Intrastate		72,345	70,838
Interstate		129,026	192,967
Federal USF (ICLS/CAF/HCL/SN)	Varies	861,258	841,668
Total (must equal line 2 of Income Stmt.)		1,362,927	1,473,844
Line 2 of Income Stmt.		1,362,927	1,473,844
Difference		0	0

Confidential per WAC 480-07-160

2014 STATE USF PETITION FILING REQUIREMENT - WAC 480-12-110(e)
BROADBAND CONNECTION BY TYPE

PIONEER TELEPHONE COMPANY

Description	Prior Year End of Yr. Balance - 2012	Current Year End of Yr. Balance - 2013	Difference	% Change
Broadband Connections				
DSL				
Wildblue				
Totals				

Confidential per WAC 480-07-160

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

Reviewed Consolidated Financial Statements

December 31, 2013 and 2012

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

Reviewed Consolidated Financial Statements

December 31, 2013 and 2012

INDEPENDENT ACCOUNTANT’S REVIEW REPORT	1
REVIEWED CONSOLIDATED FINANCIAL STATEMENTS	
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1501 Regents Blvd., Suite 100
Ft.crest, WA 98166-6060

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, 2013 and 2012, 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.

JOHNSON, STONE & PAGANO, P.S.

January 29, 2014

REVIEWED CONSOLIDATED FINANCIAL STATEMENTS



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

CONSOLIDATED BALANCE SHEETS

December 31, 2013 and 2012

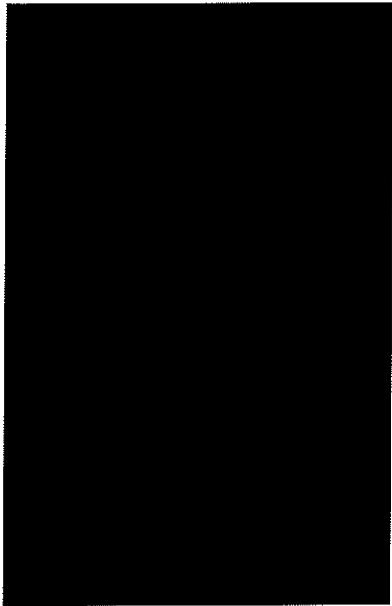
	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents		
Short-term investments		
Accounts receivable		
Recoverable federal and state income taxes		
Materials and supplies - at average cost		
Prepaid expenses		
Total Current Assets		
INVESTMENTS AND OTHER ASSETS		
Rural Telephone Finance Co-operative capital certificates		
Deferred federal income taxes		
Investment in land and building - less accumulated depreciation (2013 - [REDACTED] 2012 - [REDACTED])		
Total Investments and Other Assets		
PROPERTY, PLANT AND EQUIPMENT		
Land		
Depreciable plant and equipment		
Allowances for depreciation (deduction)		
 Plant under construction		
Total Property, Plant and Equipment		
TOTAL ASSETS		

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

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable		
Taxes, other than income taxes		
Other current liabilities		
Total Current Liabilities		
STOCKHOLDERS' EQUITY		
Common stock, no par value:		
Authorized (2013 - [REDACTED] shares; 2012 - [REDACTED] shares)		
Issued and outstanding (2013 - [REDACTED] shares; 2012 [REDACTED] shares)		
Retained earnings		
Accumulated other comprehensive income (loss)		
Total Stockholders' Equity		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		



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

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

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2013 and 2012

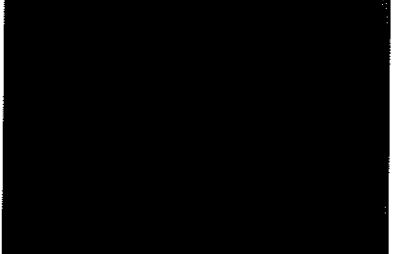

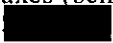
	<u>2013</u>	<u>2012</u>
REVENUES		
Telecommunications service revenues		
Other operating revenues		
Total Revenues		
EXPENSES		
Operating expenses		
General and administrative		
Depreciation and amortization		
Other operating expenses		
Taxes, other than income taxes		
Total Expenses		
Operating Income		
OTHER INCOME (EXPENSE)		
Equity in income of partnerships		
Interest and dividend income		
Gain (loss) on sale of investments		
Interest expense		
Miscellaneous expense		
Total Other Income (Expense)		
Income (Loss) before Income Taxes		
INCOME TAXES (BENEFITS)		
Current		
Deferred		
Total Income Taxes (Benefits)		
NET INCOME (LOSS)		

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
NET INCOME (LOSS)		
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gains (losses) on investments, net of deferred income taxes (benefits) (2013 -  ; 2012 - 		
COMPREHENSIVE INCOME (LOSS)		

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, 2013 and 2012

	<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, 2011					
Net loss for the year					
Other comprehensive income					
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					

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

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Equity in income of partnerships		
(Gain) loss on sale of investments		
Depreciation of plant and equipment		
Depreciation and amortization of other assets		
Deferred federal income taxes (benefits)		
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		
Proceeds from sale of partnerships		
Net Cash Provided (Used) by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt		
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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Accounts receivable		
Recoverable federal and state income taxes		
Materials and supplies		
Prepaid expenses		
Increase (decrease) in liabilities		
Accounts payable		
Taxes, other than income taxes		
Other current liabilities		
NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest		
Income taxes		



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, 2013 and 2012

**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 \$██████ 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.

On March 12, 2013, the Company increased the authorized shares from ██████ to ██████ 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 modify the manner in which Pioneer recovers its telecommunications revenue requirements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

**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

Pioneer extends credit to its 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. Pioneer believes no allowance for doubtful accounts is necessary at December 31, 2013 and 2012. As of December 31, 2013, there was approximately █% of accounts receivable outstanding over 90 days or more.

Investments in Partnerships

The Company used the equity method to account for investments in partnerships where the Company's ownership was █% or more, and adjusted the carrying value to fair value. Under the equity method, the Company's share of earnings or losses of the partnerships were reflected in income. Any adjustment for fair value was recorded in comprehensive income (loss) net of deferred income taxes. The Company sold its partnership interests to the general partner in December 2012.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

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.

Unamortized Debt Issuance Expense

Costs incurred to obtain financing for property, plant and equipment additions are capitalized and amortized over the respective loan period. The loans were repaid in 2012, and the unamortized balance of \$[REDACTED] of debt issuance expense was fully amortized in 2012.

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, 2013 and 2012, 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

Revenue Recognition, Major Customers and Services

Services provided by 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.

The FCC 11-161 modifies and replaces 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 the Company. 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 the Company's revenues and cash flow. Revenue impacts are subject to change based on the outcome of numerous petitions and legal challenges, as well as future data submissions and further clarification from the FCC.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

Revenue Recognition, Major Customers and Services (Continued)

Revenues for intrastate access services are received through tariffed access charges filed by Pioneer and the Washington Exchange Carrier Association ("WECA") and approved by the WUTC. The access charges are billed by Pioneer to intrastate interexchange carriers. The carrier common line and state universal service fund revenues are pooled with all WECA member companies and are redistributed to the Company based upon the Company's proportionate share of cost to provide those services plus a return on investment as compared with the other participating WECA member companies. The traffic sensitive revenues are considered bill and keep based on tariffed rates.

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.

Income Taxes

The Company provides federal and state 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 and state 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.

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 50 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, 2010 are closed to examination.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

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. Significant accounting estimates include the recoverability of long-term assets, estimate of useful lives of property, plant and equipment, property taxes and the recognition of certain network access service revenues.

Reclassifications

Certain reclassifications have been made to the previously reported 2012 financial statements in order to make them comparable with the 2013 financial statements.

Subsequent Events

The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through January 29, 2014 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 five 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, 2013, the Company's and Pioneer's cash balances did not exceed the insured amounts.

In addition, at December 31, 2013, the Company and Pioneer have deposits totaling [REDACTED] in money market funds with a broker-dealer. The funds are insured by the Securities Investor Protection Corporation up to [REDACTED] for brokerage accounts with a limit of [REDACTED] 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 3 - INVESTMENTS IN PARTNERSHIPS

The Company had a [REDACTED]% limited partnership in Washington RSA No. 8 Limited Partnership. The investment in Washington RSA No. 8 Limited Partnership was presented on the equity method with the Company's share of earnings or losses of the Partnership being reflected on the statement of income in 2012. The Company sold its interest in Washington RSA No. 8 Limited Partnership in December 2012.

Pioneer had a [REDACTED]% limited partnership interest in Eastern Sub-RSA Limited Partnership. The investment in Eastern Sub-RSA Limited Partnership was presented on the equity method with Pioneer's share of earnings or losses of the Partnership being reflected on the statement of income in 2012. Pioneer sold its interest in the Eastern Sub-RSA Limited Partnership in December 2012.

NOTE 4 - FAIR VALUE DISCLOSURES

Fair value of assets measured on a recurring basis at December 31, 2013 and 2012 were as follows:

	Fair Value Measurements		
	Quoted Prices in Active Markets For Identical Assets Fair Value	Significant Other Observable Inputs (Level 2)	Other Subjective Inputs (Level 3)

December 31, 2013

Fixed Income Investments
 U.S. Treasury notes
 Corporate bonds
 CMO and asset backed securities
 Equities
 Bond mutual funds
 Mutual funds
 Co-operative capital certificates



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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 4 - FAIR VALUE DISCLOSURES (Continued)

	Fair Value Measurements		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Subjective Inputs (Level 3)
	Fair Value		
<u>December 31, 2012</u>			
Fixed Income Investments			
U.S. Treasury notes			
Government obligations			
Equities			
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.

Reconciliation of Level 3 Inputs

Balance at December 31, 2011	
Reclassification of partnerships' basis from accumulated other comprehensive income	
Equity interest in partnerships' income	
Sale of partnership interests	
Loss on sale of partnership interests	
Balance at December 31, 2012	

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 5 - DEPRECIABLE PLANT AND EQUIPMENT

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

	Useful Lives (Years)	2013	2012
Pioneer Telephone Holding Company, Inc. Internet access equipment			
Pioneer Telephone Company Support assets Central office assets Cable and wire facilities Nonregulated equipment			
Pioneer Communications Company Internet access equipment			
Total			

Depreciation Expense

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

	2013	2012
Depreciable plant and equipment		
Other assets - building		
Total Depreciation Expense		

NOTE 6 - LONG-TERM DEBT

In December 2012, Pioneer paid off the amounts due to the Rural Utilities Service and Rural Telephone Bank.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 7 - INCOME TAXES

The Company recognizes deferred federal and state 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.
- 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>2013</u>	<u>2012</u>
Property, plant and equipment		
Short-term investments		
Net operating loss carryforward		

Components of consolidated federal and state income taxes (benefits) are as follows:

	<u>2013</u>	<u>2012</u>
Current		
Deferred		

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, 2013 and 2012 for the deferred tax benefit that existed at that date related to the net operating loss carryforward. The Company's tax planning strategy included the sale of partnership interests at a taxable gain and repayment of long-term debt to increase taxable income enough to absorb and to prevent a net operating loss carryforward from expiring unused.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 8 - 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 commencing July 2010 expiring July 2013, at [REDACTED] per month. Pioneer renewed the lease for another three years with similar terms.

Future minimum payments for the next three years under the terms of the agreements referred to above in this Note 8, determined by the current monthly or scheduled payments, are as follows:

2014
2015
2016



NOTE 9 - 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 Pioneer matching contributions and discretionary Pioneer 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 [REDACTED]% of participation elective contributions with a maximum of \$[REDACTED] and [REDACTED]% of eligible employee compensation in 2013 and 2012. Pioneer's discretionary contributions charged to expense were \$[REDACTED] and [REDACTED] in 2013 and 2012, respectively.

OPERATING REPORT FOR
TELECOMMUNICATIONS
COMPANIES

Company Name: PIONEER TELEPHONE COMPANY

PERIOD ENDING: December 31, 2013

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	105,483	132,904
2. Network Access Services Revenues	1,362,927	1,500,329
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	17,801	10,425
5. Miscellaneous Revenues	8,788	11,394
6. Uncollectible Revenues	739	922
7. Net Operating Revenues (1 thru 5 less 6)	1,494,260	1,654,130

ALTERNATE EXHIBIT 7

CORPORATE OPERATIONS EXPENSE ADJUSTMENT CERTIFICATE

I, Durand Cox, an officer of Pioneer Telephone 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 2013 and 2012.

Dated this 30th day of July, 2014.



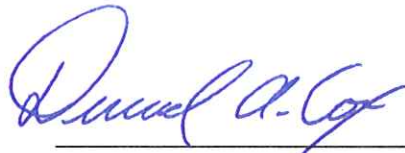
Durand Cox, President

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, Durand Cox, an officer of Pioneer Telephone 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 this 30th day of July, 2014.



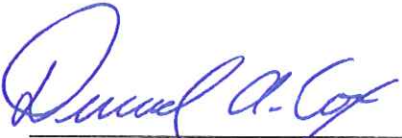
Durand Cox, President

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, Durand Cox, an officer of 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 2015.

Dated this 30th day of July, 2014.



Durand Cox, President