



Christopher T. Ulmer
Senior Vice President

July 10, 2018

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington D.C. 20554

Re: *Connect America Fund*, WC Docket No. 10-90; 2018 FCC Form 481

Dear Ms. Dortch:

ICORE Consulting, on behalf of Pennsylvania Telephone Company ("the Company") hereby submits to the Commission a copy of the Company's completed Form 481¹. Certain portions of the Form 481 filing include information that is confidential in nature. Specifically, the section entitled "Rate of Return Carrier Additional Information"² should be accorded confidential treatment. Attached please find a statement of the reasons for withholding the redacted materials from public inspection pursuant to 47 CFR § 0.459.

Thank you for your attention to this matter. Should you or any member of the Commission Staff have any questions or comments, please do not hesitate to contact us at your convenience.

Sincerely,



Senior Vice President

¹ This filing is required to comply with 47 CFR §§ 54.313 and 54.422(c).

² The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company ("USAC") website as "Section 3005" in the downloadable version and as "Section 3000" in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filled out employs the 3005 or 3000 designation.

ICORE Consulting, LLC
326 South 2nd Street
Emmaus, PA 18049

Phone: (610) 928-3944
Fax: (610) 928-5036
www.icorellc.com

**CONFIDENTIALITY REQUEST AND STATEMENT OF JUSTIFICATION
IN COMPLIANCE WITH 47 C.F.R. §0459(b)**

Pennsylvania Telephone Company (“Company”) is a small, privately held rural local exchange company based in Pennsylvania. The Company requests confidential treatment of certain information being provided to the Commission in its 2018 FCC Form 481. The information is competitively sensitive and its disclosure would have a negative competitive consequence upon the Company were it made publicly available. Such information would not ordinarily be made available to the public and should be afforded confidential treatment under 47 CFR §0.459.

Regulation	Statement of support and compliance with Confidentiality requests
47 CFR §0.459(a)(2)	ICORE Consulting, on behalf of the Company has e-filed, through ECFS, the redacted version and sent via USPS Express Mail the confidential hard copy version (original and one copy) of its 2018 FCC Form 481.
47 CFR §0.459(b)(1)	The Company requests that the documentation required in the section entitled “Rate of Return Carrier Additional Information ³ , which consists of the Company’s financial reports, income statement, balance sheet and cash flow statement, be accorded confidential treatment. The confidential information has been redacted from the public version with black shading.
47 CFR §0.459(b)(2)	The circumstances giving rise to the submission of this confidential information is set forth in 47 CFR § 54.313 and 47 CFR § 54.422.
47 CFR §0.459(b)(3) and §0.459(b)(4)	The information for which confidentiality is sought is financial in nature, including balance sheet, income statement, and statement of cash flows.
47 CFR §0.459(b)(5)	There is robust competition in the telecommunications market today, including wireless, VoIP providers, and cable television providers to name a few. Financial data such as the amount of cash on hand, amount of debt, and revenue by source are all examples of information that competitors would not receive in the normal course of business.
47 CFR §0.459(b)(6)	The financial information is disclosed only within the Company, and furthermore is only provided (1) members of senior management, or (2) those employees who require this information to perform their jobs.
47 CFR §0.459(b)(7)	The Company has not previously released this information to third parties without the execution of a non-disclosure agreement.
47 CFR §0.459(b)(8)	The Company requests that the information be held by the Commission as confidential indefinitely.

³ The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company (“USAC”) website as “Section 3005” in the downloadable version and as “Section 3000” in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filed out employs the 3005 or 3000 designation.

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

FCC Form 481

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

July 2018

<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name: Person USAC should contact with questions about this data	Christopher Ulmer
<035>	Contact Telephone Number: Number of the person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	culmer@icorellc.com
	Form Type	54.313 and 54.422

REDACTED - FOR PUBLIC INSPECTION

(200) Service Outage Reporting (Voice)
Data Collection Form

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

<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icoreallc.com

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

[illegible]

<010> Study Area Code 170197

<015> Study Area Name PENNSYLVANIA TEL CO

<020> Program Year 2019

<030> Contact Name - Person USAC should contact regarding this data Christopher Ulmer

<035> Contact Telephone Number - Number of person identified in data line
<030> 6109283903 ext.

<039> Contact Email Address - Email Address of person identified in data line
<030> culmer@icorellc.com

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

<410> Complaints per 1000 customers for fixed voice

<420> Complaints per 1000 customers for mobile voice

(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form

FCC Form 481
OMB Control No. 3060-
July 2018

<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<515> Certify compliance with applicable minimum service standards

**(600) Functionality in Emergency Situations
Data Collection Form**

**FCC Form 481
OMB Control No. 3060-098
July 2018**

<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	170197PA610.pdf

(800) Operating Companies
Data Collection Form

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

<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<810>	Reporting Carrier	Pennsylvania Telephone Company
<811>	Holding Company	Not Applicable
<812>	Operating Company	Pennsylvania Telephone Company

[illegible]

(900) Tribal Lands Reporting
Data Collection Form

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

<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorelle.com

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

Tribal Land(s) on which ETC Serves

Tribal Government Engagement Obligation

Name of Attached Document

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

Select Yes or No or Not Applicable

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

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

FCC Form 481

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

<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1000> Voice services rate comparability certification

Yes

<1010> Attach detailed description for voice services rate comparability compliance

170197PA1010.pdf

Name of Attached Document

Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1020> Broadband comparability certification

<1030> Attach detailed description for broadband comparability compliance

Name of Attached Document

(1100) No Terrestrial Backhaul Reporting
Data Collection Form

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

<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1100>

Certify whether terrestrial backhaul options exist (Y/N)

Yes

<1130>

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

<1140>

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

Not Applicable

(1200) Terms and Condition for Lifeline Customers

Lifeline Data Collection Form

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

<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	<div>170197PAL210.pdf</div> <div>Name of Attached Document</div>
<1220>	Link to Public Website	HTTP www.ovalinternet.com

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

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

(2005) Price Cap Carrier Additional Documentation		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers		July 2018
<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

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

<2015>

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

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

<2016>

Certification support used to build broadband

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

<2017A>

Connect America Fund Phase II recipient?

<2017C>

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

Name of Attached Document Listing
Required Information

<2018>

Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

<2019>

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

(3005) Rate Of Return Carrier Additional Documentation Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

CAF BLS Reporting

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

<010>	Study Area Code	170197
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<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

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

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)	Not Applicable - No Attachment Required	
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}		
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	<input type="checkbox"/>	
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>	
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers	<input type="checkbox"/>	
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>	
(3021)	Management letter and/or audit opinion issued by third party to certify compliance with the requirements of 47 CFR 54.313(f)(2)	<input type="checkbox"/>	

<010>	Study Area Code	170197
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<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

Financial Data Summary	
(3027) Revenue	
(3028) Operating Expenses	
(3029) Net Income	
(3030) Telephone Plant In Service(TPIS)	
(3031) Total Assets	
(3032) Total Debt	
(3033) Total Equity	
(3034) Dividends	

REDACTED - FOR PUBLIC INSPECTION

<010>	Study Area Code	170197
<015>	Study Area Name	PENNSYLVANIA TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

4005 Rural Broadband Experiment

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

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

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

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

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

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

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

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

[illegible]

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
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<010> Study Area Code	170197
<015> Study Area Name	PENNSYLVANIA TEL CO
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<030> Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
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<039> Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

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

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

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
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<010> Study Area Code	170197
<015> Study Area Name	PENNSYLVANIA TEL CO
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<039> Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

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

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>ICORE Consulting, LLC</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	ICORE Consulting, LLC
Name of Reporting Carrier:	PENNSYLVANIA TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE Date: 07/11/2018
Printed name of Authorized Officer:	Kimberly Hannan
Title or position of Authorized Officer:	General Manager
Telephone number of Authorized Officer:	5707457101 ext.
Study Area Code of Reporting Carrier:	170197 Filing Due Date for this form: 07/16/2018
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	PENNSYLVANIA TEL CO
Name of Authorized Agent Firm:	ICORE Consulting, LLC
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE Date: 07/11/2018
Name of Authorized Agent Employee:	Christopher T. Ulmer
Title or position of Authorized Agent or Employee of Agent	Sr. VP
Telephone number of Authorized Agent or Employee of Agent:	6109283903 ext.
Study Area Code of Reporting Carrier:	170197 Filing Due Date for this form: 07/16/2018
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

As an initial point, the Company had no service outages during 2017 which met the FCC's threshold for reporting into the Network Outage Reporting System ("NORS").

The Company engages in preventative maintenance programs which help ensure network reliability in all conditions. This includes regular checks on generators, battery back-up, HVAC infrastructure at central office switches, and tree trimming/removal when trees have the potential to take down telephone lines during events of high wind or heavy snow. Access to critical infrastructure (like central office switches) is limited to essential personnel. Spare equipment is maintained in inventory.

Like most local exchange carriers, the Company's network consists of electronic switching equipment and a network of fiber optics and copper facilities. From a switching standpoint, the Company has one primary switch and smaller switches which are fed by the primary switch. These smaller switches are often referred to as intraexchange remote switches or concentrators. The largest threat to switches is the loss of power. To address this, the Company ensures adequate battery back-up is maintained. For emergency situations which extend beyond the useful life of the battery back-up, the Company uses generators to power the switches. These generators are portable which ensures they can be relocated to any switching center based on the specific needs of each switch. In addition, the Company's office will serve as a Command and Control center. This center is included as a primary location to which continuous power is required.

In cases of emergency, the Company's management has contact information for all employees. Depending upon the scope of the emergency, the Company may call-in as many employees as necessary to provide continual telecommunications service. The Company has access to local and regional construction companies which can be called in to supplement the work force if necessary. When poles are down from emergencies, the Company works with other utilities attached to the same poles to expedite the repair or replacement of the infrastructure.

In summation, the Company takes preventative measures to plan for emergency situations and also takes steps to mitigate the risk or duration of such events.



Pennsylvania Telephone Company

191 Middle Road • Jersey Shore, PA 17740 • (570) 745-7101 • FAX (570) 745-3666

June 12, 2018

I, Kimberly M. Hannan, hereby certify that Pennsylvania Telephone Company's pricing of voice services is no more than two standard deviations above the applicable national average urban rate for voice services as specified in the most recent public notice issued by the Wireline Commission Bureau.

Sincerely



Kimberly M. Hannan
Vice President



Pennsylvania Telephone
Company

Section 3
Fourth Revised Sheet 11
Cancels Third Revised Sheet 11

LIFELINE SERVICE

A. DESCRIPTION

Lifeline Service is a federally funded program established to provide monthly assistance to residential low income households who qualify for this service in accordance with the following Regulations.

B. REGULATIONS

1. Lifeline Service is available to qualified residence customers and is provided via a residence individual Dial Tone Line. Lifeline Service is limited to only one Service per qualified customer or household (a household is defined as "any individual or group of individuals who are living together as one economic unit" an economic unit is "all adult individuals contributing to and sharing in the income and expenses of a household"). A potential Lifeline customer who has an outstanding final bill for telephone service which is less than (4) years old must pay the entire balance of any Basic Service final bill before being eligible for Lifeline Service. (C)
2. Residence Lifeline Service consists of the following tariffed standard features and optional customer elected services at the applicable rates, charges and regulations for each feature and service provided:
 - a. One-Party Residence Line Rate or Local Measured Service Option
 - b. Directory Listing (standard only).
 - c. Non-Published or Non-Listed Telephone Number Service.
 - d. Access to Directory Assistance Service.
 - e. Touch-Tone Calling Service.
 - f. Access to Message Toll Telephone Service and Optional Dial Station-To-Station Calling Plan Services. However, the Residence Lifeline Dial Tone Line will be blocked from dial station access to 976/556/900 and any other type of Audiotex Service.
 - g. Access to Operator Services.
 - h. Voluntary Toll Restriction Option.
 - i. Access to 800/888 Services.
 - j. Access to Call Trace.
 - k. Access to Alerting and Reporting Systems (9-1-1 dialing).
 - l. Access to the Pennsylvania Telecommunications Relay Service.
 - m. Caller ID Per-call and Per-line Blocking
 - n. Other eligible telecommunications services at tariffed rates.

(C) Indicates Change

Issued: June 29, 2012

Effective: August 1, 2012

Pennsylvania Telephone
Company

Section 3
Fifth Revised Sheet 12
Cancels Fourth Revised Sheet 12

LIFELINE SERVICE

B. REGULATIONS (cont.)

3. An applicant for Lifeline Service must be a current participant in one of the following Pennsylvania programs, or be able to provide proof of household income which is at or below 135% of the annual Federal Poverty Guidelines for all States (except Alaska and Hawaii) and the District of Columbia. Recertification of Lifeline Service participants must be conducted annually by the Pennsylvania Telephone Company to ensure continued eligibility. Lifeline customers have the responsibility to notify the Telephone Company within thirty (30) days of a change in eligibility status if they no longer qualify for Lifeline Service.

Pennsylvania Department of Public Welfare Lifeline Service Programs:

- * Temporary Assistance for Needy Families (TANF)
* * *
- * Supplemental Security Income (SSI)
- * Medicaid
- * Supplemental Nutrition Assistance Program (SNAP) (f/k/a Food Stamps)
- * Low Income Home Energy Assistance Program (LIHEAP)

(C)

Additional Eligible Programs (Federal)

- * Federal Public Housing
- * National School Free Lunch Program

The DPW Programs listed above must be certified by DPW. Such certification by DPW will be provided only when a DPW client requests Lifeline Service based on the client's status as a participant in any of the above eligibility programs. Certification by DPW will be limited to confirmation of the client's program status (i.e., participation or non-participation). Participation by DPW is subject to execution of an agreement with DPW and Pennsylvania Telephone Company.

4. Lifeline Service will be provided to a customer only so long as such customer continues to meet the participation and certification guidelines in B.3. above. At the time of initial establishment of Lifeline Service, the customer agrees to have his or her eligibility recertified annually by Pennsylvania Telephone Company. When the Company is notified by the customer or determines through recertification that the Lifeline Service customer is no longer a participant in the DPW programs in B.3. above or otherwise low-income eligible, the customer will be notified (by telephone or letter) that the Lifeline Service rate is no longer applicable. Within the stated customer notification period (30 days from the date of the notification), the customer can contact the Company to negotiate new Dial Tone Service arrangements at applicable tariff rates (no connection charges will apply for existing services or options retained). If the customer does not contact the Company by the end of the notification period, the Lifeline Service will be changed to applicable Exchange Area Dial Tone Line service at existing tariff rates (no connection charges will apply to existing services or options retained).

(C) Indicates Change

Pennsylvania Telephone
Company

Section 3
Second Revised Sheet 13
Cancels First Revised Sheet 13

LIFELINE SERVICE

B. REGULATIONS (cont'd)

5. A Lifeline Service customer may not subscribe to any other type of residence Local Exchange Service at the same or other premises. Lifeline Service will not be provided via Foreign Exchange or Foreign Central Office Service arrangements.

6. Only services listed in B (2) above will be provided to Lifeline customers.

7. Customer requested temporary suspension of Lifeline Service is not permitted.

8. Lifeline Service does not apply to applicants who are full time students living in university or college controlled housing.

9. The applicant must not be a dependent for Federal Income Tax purposes, unless he or she is 60 years of age or older.

10. Lifeline customers are subject to all Residence service regulations in this and other tariffs of Pennsylvania Telephone Company.

11. Residence Lifeline Service cannot be resold by the Lifeline customer or the Lifeline customer's agent(s).

12. Resale of Lifeline Services are subject to wholesale rate obligations under Section 251 (c)(4) of the Telecommunications Act of 1996.

13. All outstanding charges, account balances and service restrictions apply to existing customers who qualify for Lifeline Service. Service restrictions will remain until the arrearage(s) have been paid in full.

14. Any Lifeline customer who has a past due balance of Toll Charges will be treated with the appropriate Chapter 64 regulations. The Residence Toll Restoral Charge applies to Lifeline Customers who are suspended for non-payment and who subsequently pay their outstanding toll charges and request toll restoral. If a Lifeline customer is toll restricted for a second occurrence the Company may, at its discretion, place the Lifeline customer on permanent toll restriction.

15. Toll-Blocking and Toll-Control services will be provided at no charge to Lifeline Service subscribers, to the extent that they are offered.

(C)

(C) Indicates Change

Issued: March 30, 2012

Effective: April 2, 2012

Pennsylvania Telephone
Company

Section 3
Third Revised Sheet 14
Cancels Second Revised Sheet 14

LIFELINE SERVICE

C. LIFELINE SERVICE DIAL TONE LINE MONTHLY RATE

1. Applicable Residence Dial Tone monthly rate minus \$9.25 ⁽¹⁾. (I)
- * * * (C)
2. Lifeline Service is subject to all applicable state, local and federal taxes, and Surcharges, and to all applicable tariff rates, charges, surcharges and regulations. (C)

NOTE:

- ⁽¹⁾ See FCC Public Notice released May 1, 2012, In re: *Lifeline and Link Up Reform and Modernization et al.*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket Nos. 11-42 et al., CC Docket No. 96-45, FCC 12-11 (rel. Feb. 6, 2012). (C)

(I) Indicates Increase
(C) Indicates Change

Issued: June 29, 2012

Effective: August 1, 2012

Pennsylvania Telephone Company

Financial Statements

December 31, 2017 and 2016

DR

We are providing this draft financial statement in an electronic format under the condition that it not be modified, or distributed to any third-parties.

6/21/2018 11:20 AM REDACTED - FOR PUBLIC INSPECTION

Pennsylvania Telephone Company

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December 31, 207 and 2016

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DR

Independent Accountants' Review Report

Board of Directors
Pennsylvania Telephone Company

We have reviewed the accompanying financial statements of Pennsylvania Telephone Company, which comprise the balance sheet as of December 31, 2017 and 2016, and the related statements of operations, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements. 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 financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

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

Wyomissing, Pennsylvania
Date of Report

Pennsylvania Telephone Company

Balance Sheet

December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents		
Accounts receivable:		
Customers		
Other		
Materials and supplies inventory, at average cost		
Prepaid taxes		
Other current assets		
Total current assets		
Other Assets		
Notes receivable, related parties		
Nonregulated, plant, net		
Total other assets		
Telephone Plant, at Cost		
In service		
Accumulated depreciation		
Total telephone plant, net		
Total assets		

See notes to financial statements

REDACTED - FOR PUBLIC INSPECTION

Pennsylvania Telephone Company

Balance Sheet

December 31, 2017 and 2016

	2017	2016
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable		
Customers' deposits		
Other accrued liabilities		
Total current liabilities		
Deferred Income Taxes		
Total liabilities		
Stockholders' Equity		
Common stock, par value [REDACTED] per share; authorized [REDACTED] shares; issued and outstanding [REDACTED] shares		
Retained earnings		
Total stockholders' equity		
Total liabilities and stockholders' equity		

Pennsylvania Telephone Company

Statement of Operations

Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues		
Local service		
Access service		
Toll service		
Miscellaneous		
Uncollectible		
Total operating revenues, net		
Operating Expenses		
Plant specific		
Plant nonspecific:		
Depreciation		
Other		
Customer operations		
Corporate operations		
Operating taxes other than income		
Income tax benefit		
Total operating expenses		
Operating income (loss)		
Other Income, Including Income Tax Expense (Benefit)		
in 2017 and 2016, Respectively		
Net income (loss)		

Pennsylvania Telephone Company

Statement of Retained Earnings

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Retained Earnings, Beginning		
Net income (loss)		
Retained Earnings, Ending		

DR

Pennsylvania Telephone Company

Statement of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Net income (loss)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation		
Deferred income taxes		
(Increase) decrease in assets:		
Accounts receivable		
Materials and supply inventory		
Prepaid taxes		
Other current assets		
Decrease in liabilities:		
Accounts payable and customer deposits		
Other accrued liabilities		
 Net cash provided by operating activities		
Cash Flows from Investing Activities		
Purchase of plant		
Repayments received on note receivable, related parties		
 Net cash used in investing activities		
 Net increase in cash and cash equivalents		
Cash and Cash Equivalents, Beginning		
Cash and Cash Equivalents, Ending		
Supplementary Cash Flows Information		
Income taxes paid, net of refunds		

Pennsylvania Telephone Company

Notes to Financial Statements

December 31, 2017 and 2016

1. Nature of Business

Pennsylvania Telephone Company (the "Company") is an independent regulated telephone utility providing communication services in parts of Lycoming County and Clinton County in Pennsylvania.

2. Significant Accounting Policies

Accounting and Rate Regulation

The Company is subject to the accounting principles of and rate regulation by the Pennsylvania Public Utility Commission.

Estimates and Assumptions

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 could differ from those estimates. Significant estimates include the allowance for doubtful accounts, valuation of materials and supplies inventory, useful lives of telephone plant, and possible impairment of long-lived assets.

Revenue Recognition

The Company's revenues are recognized when services are provided. Access service and long distance service revenues are derived from access charges, toll rates and settlement arrangements. The Company records retroactive settlements as changes in revenues in the year the settlements become known in accordance with industry practice.

Cash and Cash Equivalents

The Company maintains its cash in checking, demand deposits, money market accounts, and certificate of deposits. For purposes of reporting the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At times, the Company's cash balance may exceed federally insured limits.

Pennsylvania Telephone Company

Notes to Financial Statements
December 31, 2017 and 2016

Accounts Receivable

Accounts receivables are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due. Accounts receivables are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is deemed necessary.

Telephone Plant

Telephone plant are stated at cost. Normal renewals and betterments of units of property are charged to plant accounts, while ordinary repairs and replacements of items considered to be less than units of property are charged to plant specific expenses. The cost of plant retired, plus removal costs, less salvage is charged to accumulated depreciation. Accordingly, no gain or loss is recognized in connection with ordinary retirements.

Depreciation of telephone plant is computed by the straight-line method. Rates used for calculating depreciation are based on the economic useful lives of the assets. The effective composite depreciation rates for the years ended December 31, 2017 and 2016 were [REDACTED] and [REDACTED] respectively.

Impairment of Long-Lived Assets

Management reviews the carrying value of long-lived assets on an ongoing basis. When factors indicate that a long-lived asset may be impaired, management uses an estimate of the undiscounted future cash flows over the remaining life of the asset in measuring whether the long-lived asset is recoverable. If such an analysis indicates that impairment has in fact occurred, the book value of the long-lived asset is written down to its fair value, which is estimated using discounted cash flows. The Company has recorded no such impairment losses for the years ended December 31, 2017 and 2016.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Pennsylvania Telephone Company

Notes to Financial Statements
December 31, 2017 and 2016

Accounting Standards Update ("ASU") No. 740, *Income Taxes*, provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. The Company is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority.

The Company reports accrued interest related to unrecognized tax benefits as interest expense and penalties as income tax expense. There was no interest or penalties related to unrecognized tax benefits for the years ended December 31, 2017 and 2016.

Presentation of Sales Taxes

The Company collects sales tax from customers and remits the entire amount to the applicable taxing authority. The Company's accounting policy is to exclude the tax collected and remitted from revenues and operating expenses.

New Accounting Standards

During July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. ASU No. 2015-11 requires entities to measure inventory, other than inventory measured using the last-in, or last-out or retail inventory methods, at lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal, and transportation. ASU No. 2015-11 is effective for annual periods beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The Company adopted ASU No. 2015-11 on the December 31, 2017 financial statements. The adoption of ASU No. 2015-11 did not have an impact or require a change in reporting on the December 31, 2017 and 2016 financial statements.

During November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. ASU No. 2015-17 requires deferred tax assets and liabilities to be classified as noncurrent in a classified balance sheet. ASU No. 2015-17 is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The adoption of ASU No. 2015-17 will have no effect on its results of operations, financial position and cash flows. The Company adopted ASU No. 2015-17 on the December 31, 2017 financial statements. The adoption of ASU No. 2015-17 did not have an impact or require a change in reporting on the December 31, 2017 and 2016 financial statements.

Pennsylvania Telephone Company

Notes to Financial Statements
December 31, 2017 and 2016

Recent Accounting Pronouncements

During May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2015 and 2016, the FASB also issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09; ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance on principal versus agent considerations in Topic 606; ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, which clarifies the identification of performance obligations and the licensing implementation guidance; ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients* and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606*, which both affect narrow aspects of Topic 606. Topic 606 (as amended) is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Company may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently assessing the effect that Topic 606 (as amended) will have on its results of operations, financial position and cash flows.

During August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 addresses eight cash flow issues with specific guidance on how certain cash receipts and cash payments should be presented on the statement of cash flows. ASU No. 2016-15 is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the effect that ASU No. 2016-15 will have on its cash flows.

Subsequent Events

The Company has evaluated subsequent events through Date of Report, which is the date the financial statements were available to be issued.

3. Notes Receivable, Related Parties

The Company has a note receivable from Caylor Associates Limited Partnership of [REDACTED]. The note is due January 1, 2039 with annual interest payments at [REDACTED] at December 31, 2017 and 2016. Interest income was [REDACTED] the years ended December 31, 2017 and 2016.

The Company received payment in full on a note receivable from King Street Suites, LLC during the year ended December 31, 2016.

The Company's Chairman of the Board and minority stockholder are partners of Caylor Associates Limited Partnership. The Company's Chairman of the Board is a stockholder in King Street Suites, LLC.

Pennsylvania Telephone Company

Notes to Financial Statements

December 31, 2017 and 2016

4. Telephone Plant

Telephone plant is stated substantially at original cost. Management is of the opinion that any adjustments that might be required to record properties at original cost would not be material. Listed below are the classes of the telephone plant as of December 31, 2017 and 2016:

	Depreciation Rate	2017	2016
Telephone plant:			
Land			
Motor vehicles			
Other work equipment			
Buildings			
Furniture			
Office equipment			
Company communications equipment			
General purpose computers			
Central office equipment			
Poles			
Aerial cable			
Underground cable			
Buried cable			
Aerial wire			
Other			
Accumulated depreciation			
Nonregulated plant			
Accumulated depreciation			
Total			

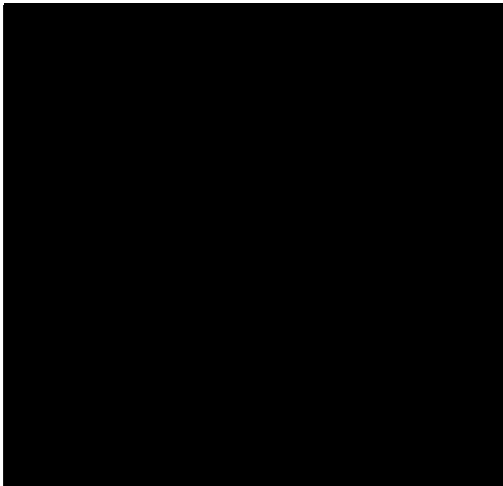
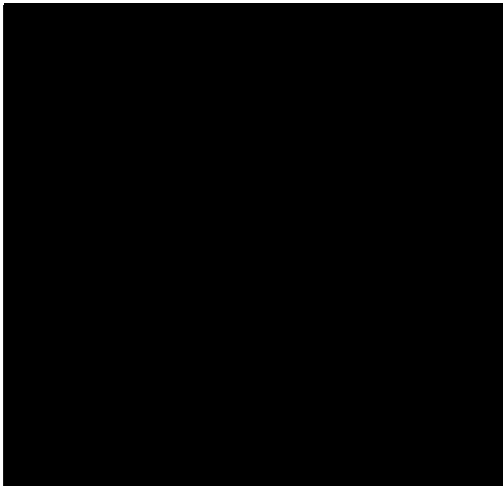
Pennsylvania Telephone Company

Notes to Financial Statements
December 31, 2017 and 2016

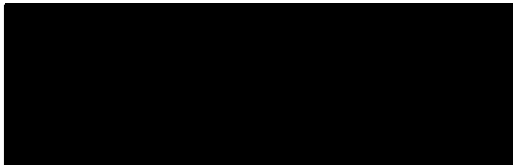
5. Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJ Act") was enacted into law. The TCJ Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended that impact corporate taxation requirements, such as the reduction of the federal tax rate for corporations from [REDACTED] percent and changes or limitations to certain tax deductions. The reduction in the corporate tax rate under the TCJ Act required a one-time revaluation of certain deferred tax assets and liabilities to reflect their value at the lower corporate tax rate of 21 percent. As such, the Company recognized additional deferred income tax benefit during the year ended January 31, 2018, related to the reduction in the value of these deferred assets and liabilities of \$ [REDACTED]

The provision for income taxes charged to operations for the years ended December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Current:		
Federal		
State		
Deferred:		
Federal		
Change in federal due to enacted tax rates		
State		

The provision for income taxes is reflected in the accompanying statement of income as follows:

	<u>2017</u>	<u>2016</u>
Operating benefit		
Other income		

The Company's actual effective income tax rate differs from the federal statutory income tax rate due to changes in the enacted federal tax rates and prior year accrual adjustments.

Pennsylvania Telephone Company

Notes to Financial Statements
December 31, 2017 and 2016

6. Contingencies

There are various federal and state regulatory proceedings with the Federal Communications Commission, Pennsylvania Public Utility Commission and Commonwealth Court affecting the telecommunications industry. Some of these proceedings may have an effect on the Company in the future. The impact, if any, cannot be determined at this time. Adverse decisions in these proceedings, however, could have a material effect on operating results or cash flows in future periods.

As of December 31, 2016 the Company has paid the Pennsylvania Department of Revenue (the "Department") assessments of [REDACTED] for additional gross receipts taxes for the years 2009 through 2014. These assessments were paid in full. The estimated refundable amount of these assessments of [REDACTED] is reflected in prepaid taxes on the Company's balance sheet at December 31, 2017 and 2016. The tax is assessed on telecommunications revenue previously reported by the Company as being exempt. The Company disagrees with the Department's position and has filed an appeal. The Company was successful in the first level of appeal for certain revenue for the years 2009 through 2011. The remaining assessment for 2009 through 2011 are currently under a third level of appeal and are currently awaiting fact development. Appeals for 2012 and 2013 have not yet been reviewed while 2014 has not been filed. The Company anticipates receiving assessments for 2016 through 2017 should it not prevail in its appeal. The Company is unable to determine the likelihood whether these amounts will be recovered and the results of future appeals could have a significant effect on the financial statements.

DR