

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Received
on

APR 30 2012

Before Commissioners:

Mark Sievers, Chairman
Ward Loyd
Thomas E. Wright

by
State Corporation Commission
of Kansas

In the Matter of The Pioneer Telephone Association, Inc. d/b/a Pioneer Communications Compliance Filings as Required by Commission Order Dated 10-19-2011 in Docket No. 11-PNRT-315-KSF)
)
) Docket No. _____
)
)

COMPLIANCE FILING

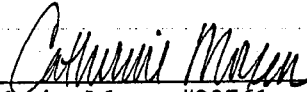
COMES NOW, The Pioneer Telephone Association, Inc. d/b/a Pioneer Communications ("Pioneer") and submits its April 30, 2012 Compliance Filings, as set forth by the State Corporation Commission of the State of Kansas ("Commission") in its Commission Order dated October 19, 2011. In support of its Compliance Filing, Pioneer respectfully submits to the Commission as follows:

1. On August 31, 2011, the Commission issued an Order on Stipulation an Agreement approving a Stipulation and Agreement between The Pioneer Telephone Association, Inc. d/b/a Pioneer Communications (Pioneer) and the Staff of the Commission.
2. On October 19, 2011, the Commission issued an Order Addressing Joint Implementation Schedule setting forth a schedule for implementation of certain requirements set forth in the Stipulation and Agreement. The implementation schedule included certain filings to be made with the Commission.

3. On October 31, 2011, the Commission issued an Order Addressing Joint Implementation Schedule setting forward its method for handling compliance filings. The Order stated that Pioneer shall make all future compliance filings in a new Compliance Docket.
4. The implementation schedule requires an April 30, 2012, filing to be made, including an Analysis of Affiliate Transactions, a Cost Allocation Manual, and Time Studies and Allocations. Those three documents are attached to this Compliance Filing.

Wherefore Pioneer respectfully submits its April 30, 2012 Compliance Filings as set forth by the Commission in its Commission Order dated October 19, 2011.

Respectfully submitted,



Catherine Moyer, #20761
Pioneer Communications
PO Box 707, 120 West Kansas Avenue
Ulysses, KS 67880
(620) 356-7133 phone
(620) 424-3133 fax
catherine@pioncomm.net
Attorney for The Pioneer Telephone Association,
Inc. d/b/a Pioneer Communications

VERIFICATION

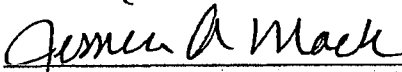
STATE OF KANSAS)
) SS:
COUNTY OF GRANT)

Catherine Moyer, of lawful age, being first duly sworn, on her oath states: She is the attorney for The Pioneer Telephone Association, Inc. d/b/a Pioneer Communications; that she has read the above and foregoing Application; that the statements, allegations and matter contained herein are true and correct.



Catherine Moyer

Subscribed and sworn to before me on this 30th day of April 2012.



Jessica A. Mack, Notary Public

My Appointment Expires:

6/17/13



Redacted Version

**In the Matter of Pioneer)
Telephone Association, Inc. d/b/a)
Pioneer Communications)
Compliance Filings as Required by)
Commission Order dated 10-19-2011)
in Docket No. 11-PNRT-315-KSF)**

Received
on

APR 30 2012

by
State Corporation Commission
of Kansas

Pioneer Communications Analysis of Affiliate Transactions

Redacted Version

Introduction

In the "Order Addressing Joint Implementation Schedule" (Order) the Commission required Pioneer Communications (Pioneer) to "[p]erform and document fully distributed cost and fair market value calculations for transactions of goods and services between affiliates and record costs for such services in compliance with the FCC affiliate transaction rules." The Order required studies to be filed by April 30, 2012. The Commission Staff in the Direct Testimony of Ann Diggs (Pages 6-7) identified the following transactions for goods or services sold or purchased from affiliates:

1. Management and technical services provided by the Company to High Plains d/b/a Pioneer Long Distance and WestLink.
2. Billing and collection services provided by Pioneer to High Plains and WestLink.
3. Wireless PCS Services purchased by the Company from WestLink.

This document describes the analyses of cost versus fair market value for the above affiliate transactions. Since this document discloses specific labor-related costs and other employee specific information of Pioneer, all amounts shown are considered proprietary and confidential. Additionally, the document contains amounts determined from a proprietary wage survey performed by NTCA.

Comparison of Cost and Fair Market Value for Management and Technical Services

Pioneer's Cost Allocation Manual (CAM) lists the functions provided to affiliates for managerial and technical services. These costs are predominantly labor related costs. As documented in Pioneer's CAM, there are also portions of common costs assigned to these functions. Pioneer's allocation methods documented in its CAM also address and resolve concerns stated in Staff's testimony (See Direct Testimony of Ann Diggs, Pages 12-13). To assess whether affiliates are charged a reasonable amount and to ensure compliance with affiliate transaction rules contained in Part 32 of the FCC Rules, Pioneer assessed actual wages and compared them to prevailing wages for telecommunications companies. Use of the prevailing wage information as comparison with Pioneer's actual wages is a reasonable test to determine whether Pioneer's costs are at or exceed fair market value. The prevailing wage information was obtained from a survey available from the National Telecommunications Cooperative Association (NTCA). NTCA considers this survey to be confidential information. The prevailing wages are based on a survey of telecommunications companies and evaluate several job classifications. Pioneer utilized average wages available from this survey for Cooperatives.

Pioneer analyzed the wages for each department. Each employee job was matched to the appropriate labor classification in the survey and the prevailing wage was determined. Pioneer developed the total wages for each department by summing the employees' wages that work within each respective department. To facilitate comparison with the prevailing wages, Pioneer determined the actual monthly wages by department for October 2011, with the exception of the

Redacted Version

General Manager position. For the General Manager, the current monthly wage amount is shown since the October 2011 amount reflected wages pertaining to the former General Managers of the Company. The Table below summarizes the comparison of actual wages paid by department to the prevailing wages by department.

Comparison of Actual Monthly Wages to Prevailing Monthly Wages by Department

Department	Actual Wages Per Employee	Prevailing Wages	% Actual to Prevailing
Human Resources	** _____ **	** _____ **	** _____ **
Building and Grounds	** _____ **	** _____ **	** _____ **
24-Hour Call Center	** _____ **	** _____ **	** _____ **
Engineering	** _____ **	** _____ **	** _____ **
Central Office	** _____ **	** _____ **	** _____ **
Customer Services - Other	** _____ **	** _____ **	** _____ **
Marketing	** _____ **	** _____ **	** _____ **
Data Processing	** _____ **	** _____ **	** _____ **
Outside Plant	** _____ **	** _____ **	** _____ **
Accounting Warehouse	** _____ **	** _____ **	** _____ **
Accounting-Directory	** _____ **	** _____ **	** _____ **
Accounting-Other	** _____ **	** _____ **	** _____ **
Tech Center	** _____ **	** _____ **	** _____ **
General Manager	** _____ **	** _____ **	** _____ **
TOTAL/Average	** _____ **	** _____ **	** _____ **

Redacted Version

The above table shows that Pioneer's wages are reasonably close to average prevailing wages for the Departments within Pioneer. The departments range from ** ____ ** percent below to ** _ - ____ ** percent above the average prevailing wage for cooperatives. The company-wide average wage represents approximately ** ____ ** percent of the company-wide average prevailing wage for surveyed cooperatives. Thus, Pioneer pays wages that reasonably reflect prevailing market conditions for the Ulysses area.

The assignment and billing of costs at these levels to the affiliates comply with the FCC affiliate transaction rules. The wage-related costs that Pioneer charges its affiliates for management and technical services is a fair representation of the fair market value of the labor-related services provided. Further, as documented in Pioneer's CAM a reasonable share of common costs are also assigned to affiliates. Pioneer has complied with the affiliate transaction rules by assigning fully-distributed costs for services provided to its affiliates.

Billing and Collection Services Provided by Pioneer to High Plains and WestLink

Pioneer will submit an analysis of fair market value for Billing and Collection services no later than June 30, 2012. The Order specifies the following with regard to billing and collection charges and compliance with Pioneer's CAM and with FCC affiliate transactions:

"Following the completion of the CAM and its filing with the Commission, Pioneer will review the charges for billing and collections services. Pioneer will file any changes in the rates or recording method no later than June 30, 2012."

Pioneer has recently completed its CAM, but has not completed the review of billing and collection charges. Upon completion of the billing and collection review, Pioneer will file the fair market value analysis. This filing will be made on or before June 30, 2012 pursuant to the Order.

Wireless PCS Services purchased by the Company from WestLink

Pioneer is paying WestLink retail rates for mobile wireless services. Staff's criticism of this approach was they presumed that the fully-distributed costs for these services would be significantly less than the retail rates for these services. (See Direct Testimony of Ann Diggs, Pages 13-14) Based on a review of WestLink's costs, this is clearly not the case. WestLink's revenue derived from the services they provide are currently not covering the costs of these services. Consequently, the retail rates that Pioneer currently pays WestLink are below cost.

Pioneer will monitor the rates paid to WestLink and should the situation change modify them accordingly.

Redacted Version

In the Matter of Pioneer)
Telephone Association, Inc. d/b/a)
Pioneer Communications)
Compliance Filings as Required by)
Commission Order dated 10-19-2011)
in Docket No. 11-PNRT-315-KSF)

Received
on

APR 30 2012

by
State Corporation Commission
of Kansas

Pioneer Communications

Analysis of Affiliate Transactions

Redacted Version

Introduction

In the "Order Addressing Joint Implementation Schedule" (Order) the Commission required Pioneer Communications (Pioneer) to "[p]erform and document fully distributed cost and fair market value calculations for transactions of goods and services between affiliates and record costs for such services in compliance with the FCC affiliate transaction rules." The Order required studies to be filed by April 30, 2012. The Commission Staff in the Direct Testimony of Ann Diggs (Pages 6-7) identified the following transactions for goods or services sold or purchased from affiliates:

1. Management and technical services provided by the Company to High Plains d/b/a Pioneer Long Distance and WestLink.
2. Billing and collection services provided by Pioneer to High Plains and WestLink.
3. Wireless PCS Services purchased by the Company from WestLink.

This document describes the analyses of cost versus fair market value for the above affiliate transactions. Since this document discloses specific labor-related costs and other employee specific information of Pioneer, all amounts shown are considered proprietary and confidential. Additionally, the document contains amounts determined from a proprietary wage survey performed by NTCA.

Comparison of Cost and Fair Market Value for Management and Technical Services

Pioneer's Cost Allocation Manual (CAM) lists the functions provided to affiliates for managerial and technical services. These costs are predominantly labor related costs. As documented in Pioneer's CAM, there are also portions of common costs assigned to these functions. Pioneer's allocation methods documented in its CAM also address and resolve concerns stated in Staff's testimony (See Direct Testimony of Ann Diggs, Pages 12-13). To assess whether affiliates are charged a reasonable amount and to ensure compliance with affiliate transaction rules contained in Part 32 of the FCC Rules, Pioneer assessed actual wages and compared them to prevailing wages for telecommunications companies. Use of the prevailing wage information as comparison with Pioneer's actual wages is a reasonable test to determine whether Pioneer's costs are at or exceed fair market value. The prevailing wage information was obtained from a survey available from the National Telecommunications Cooperative Association (NTCA). NTCA considers this survey to be confidential information. The prevailing wages are based on a survey of telecommunications companies and evaluate several job classifications. Pioneer utilized average wages available from this survey for Cooperatives.

Pioneer analyzed the wages for each department. Each employee job was matched to the appropriate labor classification in the survey and the prevailing wage was determined. Pioneer developed the total wages for each department by summing the employees' wages that work within each respective department. To facilitate comparison with the prevailing wages, Pioneer determined the actual monthly wages by department for October 2011, with the exception of the

Redacted Version

General Manager position. For the General Manager, the current monthly wage amount is shown since the October 2011 amount reflected wages pertaining to the former General Managers of the Company. The Table below summarizes the comparison of actual wages paid by department to the prevailing wages by department.

Comparison of Actual Monthly Wages to Prevailing Monthly Wages by Department

Department	Actual Wages Per Employee	Prevailing Wages	% Actual to Prevailing
Human Resources	** _____ **	** _____ **	** _____ **
Building and Grounds	** _____ **	** _____ **	** _____ **
24-Hour Call Center	** _____ **	** _____ **	** _____ **
Engineering	** _____ **	** _____ **	** _____ **
Central Office	** _____ **	** _____ **	** _____ **
Customer Services - Other	** _____ **	** _____ **	** _____ **
Marketing	** _____ **	** _____ **	** _____ **
Data Processing	** _____ **	** _____ **	** _____ **
Outside Plant	** _____ **	** _____ **	** _____ **
Accounting Warehouse	** _____ **	** _____ **	** _____ **
Accounting-Directory	** _____ **	** _____ **	** _____ **
Accounting-Other	** _____ **	** _____ **	** _____ **
Tech Center	** _____ **	** _____ **	** _____ **
General Manager	** _____ **	** _____ **	** _____ **
TOTAL/Average	** _____ **	** _____ **	** _____ **

Redacted Version

The above table shows that Pioneer's wages are reasonably close to average prevailing wages for the Departments within Pioneer. The departments range from ** ____ ** percent below to ** _ - ____ ** percent above the average prevailing wage for cooperatives. The company-wide average wage represents approximately ** ____ ** percent of the company-wide average prevailing wage for surveyed cooperatives. Thus, Pioneer pays wages that reasonably reflect prevailing market conditions for the Ulysses area.

The assignment and billing of costs at these levels to the affiliates comply with the FCC affiliate transaction rules. The wage-related costs that Pioneer charges its affiliates for management and technical services is a fair representation of the fair market value of the labor-related services provided. Further, as documented in Pioneer's CAM a reasonable share of common costs are also assigned to affiliates. Pioneer has complied with the affiliate transaction rules by assigning fully-distributed costs for services provided to its affiliates.

Billing and Collection Services Provided by Pioneer to High Plains and WestLink

Pioneer will submit an analysis of fair market value for Billing and Collection services no later than June 30, 2012. The Order specifies the following with regard to billing and collection charges and compliance with Pioneer's CAM and with FCC affiliate transactions:

~~"Following the completion of the CAM and its filing with the Commission, Pioneer will review the charges for billing and collections services. Pioneer will file any changes in the rates or recording method no later than June 30, 2012."~~

Pioneer has recently completed its CAM, but has not completed the review of billing and collection charges. Upon completion of the billing and collection review, Pioneer will file the fair market value analysis. This filing will be made on or before June 30, 2012 pursuant to the Order.

Wireless PCS Services purchased by the Company from WestLink

Pioneer is paying WestLink retail rates for mobile wireless services. Staff's criticism of this approach was they presumed that the fully-distributed costs for these services would be significantly less than the retail rates for these services. (See Direct Testimony of Ann Diggs, Pages 13-14) Based on a review of WestLink's costs, this is clearly not the case. WestLink's revenue derived from the services they provide are currently not covering the costs of these services. Consequently, the retail rates that Pioneer currently pays WestLink are below cost.

Pioneer will monitor the rates paid to WestLink and should the situation change modify them accordingly.

In the Matter of Pioneer)
Telephone Association, Inc. d/b/a)
Pioneer Communications)
Compliance Filings as Required by)
Commission Order dated 10-19-2011)
in Docket No. 11-PNRT-315-KSF)

Received
on

APR 30 2012

by
State Corporation Commission
of Kansas

Pioneer Communications Time Studies and Allocations

Introduction

In the "Order Addressing Joint Implementation Schedule" (Order) the Commission required Pioneer Communications to submit time studies and allocations to the Commission. Specifically the Order requires Pioneer to "[c]onduct current time studies for employees who do not directly record time to regulated and non-regulated operations, use those studies to allocate time of such employees, and regularly update those time studies." The Order required studies to be filed by April 30, 2012. This document describes the studies performed by Pioneer and provides the results based on employees and payroll as of October 2011.

Description of Time Reporting and Work Time Studies

Pioneer's employees perform functions related to both regulated and non-regulated operations. Wage related costs, including benefits, are assigned based on direct time reporting, time studies or allocation of time based on cost causative factors. Wages and related costs are charged to both Pioneer accounts (for regulated and non-regulated operations) and affiliate accounts.

The Table below shows a listing of departments and the method employed by Pioneer for identification of the amount of work time that is associated with non-regulated operations. The following departments' hourly/non-salaried employees prepare time sheets on a daily basis: Outside Plant, Central Office, Engineering, Buildings and Grounds, Directory, Warehouse and Tech Center are indicated as direct reported time. The daily time reporting detail allows appropriate assignments between regulated and non-regulated operations as well as affiliate accounts. For Customer Service, Central Office Administration and 24-Hour Call Center functions, time studies are performed for a representative period. This typically consists on a two-week to one month period. For departments with functions that are of a more general nature; i.e., Human Resources, Marketing, Data Processing, Accounting and Management time is assigned in a cost causative fashion. Due to the general nature and variety of tasks performed by these employees, it is not practical to specifically report work time expended for regulated and non-regulated operations. For instance, Human Resources work is associated with all employees regardless of whether they perform regulated and non-regulated functions. For a human resources manager to consider how much time is attributable to regulated versus non-regulated operations would be arbitrary. A general allocation of human resource functions based on the composite time of all other reporting employees is a reasonable method for assignment of time between regulated and non-regulated functions. Likewise, for other general functions of the company including Management, Marketing, Data Processing, and Accounting, a general allocation approach is appropriate.

The table below shows the method for allocation of time for each of Pioneer's departments. These methods determine the assignment of wage-related costs between regulated and non-regulated operations as well as amounts assignable to affiliates.

Time Assignment Method By Department

Department	Time Assignment Method
Human Resources	Allocate based upon the total of all other departments (shown below)
Building and Grounds	Direct Reported
24-Hour Call Center	Time Study
Engineering	Direct Reported
Central Office	Direct Reported and Time Study (Administration)
Customer Services - WestLink	Direct Reported
Customer Services - Other	Time Study
Marketing	Revenue Distribution
Data Processing	See allocation of Accounting
Outside Plant	Direct Reported
Accounting-Warehouse	Direct Reported
Accounting-Directory	Direct Reported
Accounting-Other	Composite distribution of assets, expenses and revenue weighted equally (one-third each)
Tech Center	Direct Reported
Management	Allocate Department Heads based on the time allocation for related Department CEO/General Manager – Time Study to determine the amount associated with the Regulatory function. The remainder assigned based on total allocation of all employees.

Payroll Allocation Results Based on Time Studies and Allocations

Pioneer compiled the directly reported time and has performed time studies and allocations for its employees. Seventy-eight percent of Pioneer's employees' payroll assignments between regulated and non-regulated operations are based on direct time reporting or time studies. Twenty-two percent of the employees' payroll assignments are based on cost-causative allocation factors (indicated above).

Based on employees and payroll as of October, 2011, Pioneer has developed payroll allocations by Department. The table below displays results for each business segment. Telephone predominantly represents the regulated portion of the operations. The remaining segments shown are non-regulated operations.

**Pioneer Communications
Percentage Time Allocations - October 2011**

<u>Department/Function</u>	<u>Telephone</u>	<u>CATV</u>	<u>PLD/Internet</u>	<u>Wireless</u>	<u>Total</u>
1 Human Resources	53.30%	18.81%	13.23%	14.65%	100.00%
2 Buildings & Grounds	96.29%	3.26%		0.45%	100.00%
3 24 Hour Call Center	55.50%	4.00%	31.50%	9.00%	100.00%
4 Engineering	96.37%	3.63%			100.00%
5 Central Office Administration	57.00%	25.00%	18.00%	0.00%	100.00%
6 Central Office	49.95%	11.82%		38.23%	100.00%
7 Customer Services - Westlink				100.00%	100.00%
8 Customer Services	29.00%	29.00%	26.00%	16.00%	100.00%
9 Marketing	51.15%	10.54%	14.36%	23.95%	100.00%
10 Data Processing	54.25%	9.19%	12.81%	23.75%	100.00%
11 Outside Plant	52.87%	33.44%	13.08%	0.61%	100.00%
12 Accounting Warehouse	30.53%	43.31%	14.77%	11.39%	100.00%
13 Accounting Directory	39.83%	60.17%			100.00%
14 Accounting Other	54.25%	9.19%	12.81%	23.75%	100.00%
15 Tech Center			100.00%		100.00%
16 CEO/Legal	75.00%	9.00%	9.00%	7.00%	100.00%

In the Matter of Pioneer)
Telephone Association, Inc. d/b/a)
Pioneer Communications)
Compliance Filings as Required by)
Commission Order dated 10-19-2011)
in Docket No. 11-PNRT-315-KSF)

Received
on

APR 30 2012

by
State Corporation Commission
of Kansas

Pioneer Communications

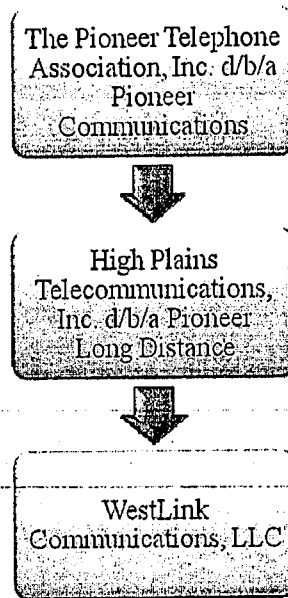
Cost Allocation Manual

Table of Contents

Corporate Structure.....	3
Affiliate (High Plains and WestLink) Transactions.....	4
Non-Regulated Services Provided by Pioneer.....	6
Overview of Investment and Expense Assignment to Non-regulated Operations.....	6
Plant Accounts - Facility Investments (COE C&WF and Other).....	8
General Support Facilities Investments.....	9
Depreciation Reserves.....	11
Operating Expenses Overview.....	11
Cable Television Signaling and Programming Expenses.....	12
Plant Specific Expense Accounts.....	12
Depreciation.....	14
Plant Non-Specific Expense Accounts.....	14
Customer Service Expenses.....	15
Corporate Expenses.....	16
Taxes.....	17
Description of Time Reporting and Work Time Studies.....	17

Corporate Structure

The Pioneer Telephone Association, Inc. d/b/a Pioneer Communications ("Pioneer") is an organization qualified under the Internal Revenue Code section 501(c)(12). Pioneer is organized as a member-owned cooperative, and all profits from operations are assigned to members as patronage capital. Pioneer's ownership structure is shown below:



As a telephone local exchange carrier (LEC), Pioneer serves telephone access lines in fifteen contiguous exchanges located in a five thousand square mile area in southwest Kansas and a small portion of southeast Colorado. Pioneer's fifteen exchanges are: Big Bow, Coolidge, Deerfield, Hugoton, Johnson, Kendall, Lakin, Manter, Moscow, Richfield, Rolla, Ryus, Satanta, Syracuse, and Ulysses. Pioneer also provides cable television service to these exchanges, with the exception of Ryus. Pioneer has a nine person Board of Directors, and employs approximately 150 employees.

High Plains Telecommunications, Inc. d/b/a Pioneer Long Distance ("High Plains") was formed as a wholly-owned subsidiary of Pioneer in 1990 in order to provide non-regulated long distance service. High Plains provides long distance services throughout Pioneer's certificated telephone service area. In addition to providing long distance services, High Plains also provides cable television service to eight communities located outside Pioneer's certificated telephone service area. High Plains' eight cable television communities are: Holcomb, Horace, Leoti, Marienthal, Scott City, Sharon Springs, Sublette and Tribune. High Plains also provides high speed Internet service throughout the certificated telephone services area of Pioneer, and to the eight cable television communities. High Plains' Board of Directors is identical to Pioneer's. High Plains has no employees. Pioneer employees provide all services and Pioneer is reimbursed, pursuant

to an affiliate services agreement, by High Plains for the expenses required to perform these services.

WestLink Communications, LLC, ("WestLink") was formed as a two member limited liability company in 1999 with High Plains and another company. In 2003, High Plains bought out its partner, and is now the single member in the limited liability company. WestLink operates a wireless GSM PCS system in southwest Kansas. As a single-member limited liability company, net income and loss is passed through WestLink to the member, High Plains. WestLink's Board of Managers is identical to Pioneer's and High Plains' Boards of Directors. WestLink has no employees. Pioneer employees provide all services and Pioneer is reimbursed by WestLink for the expenses required to perform these services.

Separate accounting records are maintained for each entity. All employees are on Pioneer's payroll. Pioneer utilizes time reporting and payroll allocation methods to assign an appropriate share of payroll costs to High Plains and WestLink.

Affiliate (High Plains and WestLink) Transactions

Affiliate Services

Each affiliate owns the primary network used to provide services. Other network components are provided through affiliate transactions and consist of the following:

- Pioneer provides DSL access services to High Plains pursuant to the NECA tariff.
- A portion of Pioneer's fiber cable is used by an affiliate to provide non-regulated CATV transmission.
- Transport facilities are provided to WestLink on a contractual basis.

Pursuant to management and labor agreements, Pioneer provides the following services to its affiliates:

- Engineering
- Facility Installation and Maintenance
- Accounting and Statistical
- Rates
- Budgeting
- Business Promotion and Public Relations
- Systems and Procedures
- General and Other services

Pioneer also provides billing and collection services to its affiliates. These are provided pursuant to an agreement and are based on the fully-distributed costs of Pioneer.

Pioneer purchases wireless services from its affiliate at retail cost. Analyses are prepared to determine the reasonableness of this charge compared with fair market value.

Accounting and Cost Assignments for Affiliate Transactions

Separate accounting records by affiliate detail the amounts of respective investment and other costs. Unique accounts directly segregate the majority of costs associated with the non-regulated operations provided by Pioneer's affiliates, High Plains and WestLink. Pioneer employs cost allocation methods to assign common costs (those related to all affiliates) to the respective affiliate.

The majority of the costs for services Pioneer provides its affiliates are wage-related. All labor costs are assigned to affiliates based on employee time reporting or time allocation studies. Additionally, the payroll process allocates wage-related benefits and overheads to the respective affiliates and services. Wage and benefit costs associated with non-productive time are assigned based on actual or productive work hours. Joint and common costs are identified from annual cost studies and assigned to affiliates accordingly. Details of wage-related allocations and joint costs allocations are discussed in further detail below.

In summary, the major categories of cost assignments and associated billing that Pioneer renders to its affiliates are the following:

- Wage related costs, including benefits and overheads are assigned based on time reporting or time assignments and are billed monthly.
- Facility leases are based on fully distributed costs and are billed monthly.
- Billing and collection costs are identified on a fully distributed cost basis and billed monthly.
- Transmission costs associated with DSL Access Service Pioneer provides to High Plains are charged pursuant to the NECA Tariff and billed on a monthly basis.
- Joint and Common Costs including Fiber to the Home (FTTH) facilities used for CATV transmission, general support facility costs, and a portion of customer and corporate operations expenses are identified annually. A charge is set based on these costs and billed to the affiliate monthly.

Pioneer's wage-related costs reasonably align with prevailing wages in the telecommunications industry or fair market values for labor provided to affiliates. Jointly used telecommunications facilities are unique to Pioneer's service area and there are no comparable facilities for assessment of fair market value. Consequently, fully distributed costs are a reasonable for valuation of affiliate transactions involving the sharing of facilities.

Accounts payable and accounts receivable for inter-company transactions are processed monthly by Pioneer.

Non-Regulated Services Provided by Pioneer

Non-regulated services provided by Pioneer (not the affiliates) consist of:

1. Cable Television Services
2. Customer Premise and Inside Wire
3. Billing and Collection
4. Voice Mail
5. Pay Stations
6. Directory Services
7. Facility Leases
8. Services to Affiliates (described above)

Pioneer employs a separate set of accounts within its books and records to account for all direct investments and other costs associated with the provision of cable television services within the telephone exchanges Pioneer serves. Separate investment, reserve, expense and tax accounts exist on Pioneer's books for cable television services.. Likewise unique accounts are employed to capture the costs of Customer Premise Equipment, Voice Mail and Pay Stations. Directory service costs are captured in unique expense accounts. Billing and Collection and Facility Lease costs are contained in regulated accounts but are identified on a fully-distributed costs basis and assigned to non-regulated operations.

The remainder of this document discusses in further detail Pioneer's accounting and cost allocation for non-regulated operations.

Overview of Investment and Expense Assignment to Non-regulated Operations

Table 1 summarizes Pioneer's cost assignments to non-regulated operations. The table lists major cost categories for investments and expenses. As indicated in the table, Pioneer directly accounts for a significant amount of the investment and expenses on both its accounting records and affiliated accounting records as indicated in the column labeled "Direct Accounting." These costs can be directly attributable, typically based on invoices or work orders, to a non-regulated operation and affiliate. Pioneer assigns wage related costs directly based on actual reported work hours, time studies or time allocations (for functions that are common to all operation). These are indicated in the column labeled "Accounting Assignment." Pioneer uses cost causative allocation methods to assign joint or common costs (included in regulated accounts) to non-regulated operations, including those conducted by its affiliates. Joint or common cost allocations are integrated into the annual cost study process and assigned to non-regulated operations.

TABLE 1 – Summary of Non-Regulated Accounting and Assignment Methods

Cost Category	Direct Accounting	Wage Related Assignments	Joint Allocation
Plant Accounts – Facilities Investments and Reserves - Primarily Central Office Equipment (COE) and Cable and Wire (C&WF)	Record in Accounts	Wage related costs assigned based on payroll assignments	A portion of FTTH facilities costs associated with CATV assigned based on percentage used. Leased facilities assigned based on percentage used.
Plant Accounts – General Support Facility Investments and Reserves	Record in Accounts	Wage related costs assigned based on payroll assignments	Allocation generally based on relative work hours
Plant Specific Expense	Record in Accounts	Work Time	Related Investment
Depreciation -GWF and COE -Support Assets	Record in Accounts		Related Investment
Plant Non-Specific	Record in Accounts	Work Time	n/a
Customer Service Expense	Record in Accounts	Work Time	B&C Study or general allocation based on customers
Corporate Expense	Record in Accounts	Work Time	General allocation
Taxes	Record in Accounts		Assignment based on related investment

The processes used to identify non-regulated costs of each of the categories are discussed in further detail below.

Plant Accounts - Facility Investments (COE C&WF and Other)

Direct Accounting of Non-Regulated Facility Investments

Accounts are maintained by Pioneer to account for facility investments. The costs of facilities directly attributable to non-regulated operations are recorded in accounts separate from those facilities employed predominantly for regulated operations. The costs recorded in these accounts are directly identifiable through invoices, work orders, or other means. Pioneer records work orders for non-regulated projects records in designated subaccounts of Account 2003 – Telephone Plant Under Construction. Table 2 contains a list of accounts that are used to record the costs of facilities employed for non-regulated operations on Pioneer’s books.

TABLE 2 – Listing of Non-regulated Plant Accounts

ACCOUNT	DESCRIPTION
2-2211.100	EARTH STATIONS**CATV**
2-2211.200	HEADEND EQUIPMENT**CATV**
2-2211.300	TOWERS & ANTENNAS**CATV**
2-2211.400	CONVERTERS**CATV**
2-2211.500	DISTRIBUTION EQUIPMENT**CATV**
2-2211.600	DIGITAL BOXES**CATV**
2-2211.700	CABLE MODEMS**CATV**
2-2231.400	RADIO SYSTEMS-NON-CELLULAR-MOBILE-NONREG
2-2231.600	RADIO SYSTEMS-PAGING-VOICE MAIL-NONREG
2-2232.900	CIRCUIT EQUIPMENT-FIBER TERM- NONREG
2311.000	STATION APPARATUS – NONREGULATED
2311.100	STATION APPARATUS - EMBEDDED 12-05
2311.200	STATION APPARATUS - NONREGULATED-7-31-96
2351.000	PUBLIC TELEPHONE TERMINAL EQUIPMENT
2351.100	PUBLIC TELEPHONE TERM EQUIP 12-31-97
2-2420.100	AERIAL CABLE-COAX**CATV**
2-2420.200	AERIAL CABLE-FIBER**CATV**
2-2427.100	UNDERGROUND CABLE-COAX**CATV**
2-2427.200	UNDERGROUND CABLE-FIBER**CATV**
2-2428.100	BURIED CABLE-COAX**CATV**
2-2428.200	BURIED CABLE-FIBER**CATV**
2-2428.300	BURIED CABLE-COAX-CATV-8-11

Pioneer records the costs of the related investments directly in these accounts. All of the CATV facility costs related to operations outside of the Pioneer regulated telephone service area are

recorded on the books of High Plains. All PCS wireless facilities are accounted for on the books of WestLink.

Other Allocations – Fiber to the Home (FTTH) Costs

Pioneer has deployed fiber to the home facilities in a limited portion of its regulated service area. The company employs these facilities to transmit CATV services. The CATV services aren't provided on a common carriage basis. Consequently, a portion of the FTTH facilities are assigned to non-regulated operations.

Pioneer performs a fully distributed cost study to identify the costs of the CATV transmission over FTTH facilities. Since deployment of FTTH facilities is currently limited to within the city limits of a single exchange, there isn't a significant amount of the company's overall cost associated with FTTH facilities. A fully-distributed cost per line/loop is developed in the cost study. A portion of the cost is attributable to CATV based on the relative usage of the fiber. The related cost per line/loop is applied to the CATV customer counts that receive CATV service over fiber. The total costs are assigned to non-regulated regulated operations as part of the annual cost study process. The following regulated accounts are adjusted to remove the costs, as determined from the fully distributed cost study, associated with CATV provided over fiber: 6232.5 COE Transmission Expense, 6423.5 Buried Cable Expense – Fiber Optics, 6561.2232 Depreciation Expense – COE Circuit, Depreciation Expense – Fiber Optic, 6112 Network Support Expense, 6535 Network Operation Expense – Engineering Expense, and 7240.710 – Property Tax Expense.

Costs Associated With Facility Leases

The costs of these facilities are attributable to lease agreements with affiliates and third parties. Since the non-regulated portion of these costs represent a minor portion of the regulated account balances, this assignment process is performed annually as part of the jurisdictional cost study process. The costs of the leases are identified based on the costs of facilities utilized. These costs represent the relative portion of the facilities specified in the lease. The annual costs associated with leases are removed from the appropriate regulated account balances, primarily plant specific and depreciation expenses, as part of the annual cost study process.

General Support Facilities Investments

Direct Accounting of Non-Regulated General Support Assets

Pioneer directly accounts for a portion of General Support asset costs associated with non-regulated operations. The associated costs are recorded in the following accounts.

TABLE 3 – General Support Asset Non-Regulated Accounts

ACCOUNT	DESCRIPTION
2-2110.100	LAND**CATV**
2112.300	MOTOR VEHICLES – NONREGULATED
2-2117.100	OTHER WORK EQUIPMENT**CATV**
2-2119.100	BUILDINGS**CATV**
2-2123.500	OFFICE EQUIPMENT**CATV**NONREG

Allocation of General Support Assets and Related Costs

Pioneer assigns a portion of the general support assets and associated expenses that are recorded in the regulated accounts on the books of Pioneer to non-regulated operations. The general support assets consist of land, buildings, motor vehicles, furniture, office equipment and general purpose computers. In the annual jurisdictional cost study an allocation is made to assign a portion of these assets and related expenses to non-regulated operations and exclude them from the regulated cost study balances. The following table shows the methods used to allocate the various general support asset accounts to non-regulated operations.

TABLE 4 – Summary of Assignment Methods for General Support Assets

Account	Description	Method Used for Non-Regulated Assignment
2111	Land	See Building
2112	Motor Vehicles – Plant	Time Allocation of Outside Plant Employees
2112	Motor Vehicles - Non Plant	Time Allocation of Management
2116	Other Work Equipment	Work Time of Plant Employees
2121	Buildings	Associated Employee Time Allocations
2122	Furniture	Based on Allocation of Buildings
2123	Office Support Equipment	Associated Employee Time Allocations
2123.100	Company Communications Equipment	Associated Employee Time Allocations
2124	General Purpose Computers	Associated Employee Time Allocations
2124.100	General Purpose Computers - Non Mainframe	Associated Employee Time Allocations

Depreciation Reserves

For Pioneer's investments associated with non-regulated operations that are directly accounted for, corresponding depreciation reserve accounts are employed to accumulate depreciation. The associated depreciation reserve accounts are shown below.

TABLE 5- Accumulated Depreciation Accounts – Non-Regulated

ACCOUNT	DESCRIPTION
3121.123	ACC DEPR - MOTOR VEHICLES – NONREGULATED
2-3121.131	ACC DEPR - OTHER WORK EQUIPMENT**CATV**
2-3121.171	ACC DEPR - BUILDINGS**CATV**
2-3121.191	ACC DEPR - OFFICE EQUIPMENT**CATV**NONREG
2-3121.235	ACC DEPR - EARTH STATIONS**CATV**
2-3122.111	ACC DEPR - HEADEND EQUIPMENT**CATV**
2-3122.112	ACC DEPR - TOWERS & ANTENNAS**CATV**
2-3122.113	ACC DEPR - CONVERTERS**CATV**
2-3122.114	ACC DEPR - DISTRIBUTION EQUIPMENT**CATV**
2-3122.115	ACC DEPR - DIGITAL BOXES**CATV**
2-3122.116	ACC DEPR - CABLE MODEMS**CATV**
3122.117	ACC DEPR - RADIO SYS NON-CELL-MOB-NONREG
3122.314	ACC DEPR - RADIO SYS-PAGING-VOICE MAIL-NONREG
3122.316	ACC DEPR-CIRCUIT EQUIP-FIBER TERM-NONREG
3122.329	ACC DEPR - STATION APPRTUS NONREGULATED
3123.110	ACC DEPR - STATION APPRTUS NONREG-7-31-96
2-3123.112	ACC DEPR - AERIAL CABLE-COAX**CATV**
2-3124.201	ACC DEPR - AERIAL CABLE-FIBER**CATV**
2-3124.202	ACC DEPR - UNDERGROUND CABLE-COAX**CATV**
2-3124.271	ACC DEPR - UNDERGROUND CABLE-FIBER**CATV**
2-3124.272	ACC DEPR - BURIED CABLE-COAX**CATV**
2-3124.281	ACC DEPR - BURIED CABLE-FIBER**CATV**
2-3124.282	ACC DEPR-BURIED CABLE-COAX- CATV-8-11

For General Support Investments shown in Table 4, the accumulated depreciation is allocated in a manner consistent with the assignment of the related investment.

Operating Expenses Overview

Pioneer accounts for operating expenses utilizing separate subaccounts for wages, benefits, meals and other. Accounts are maintained by affiliate and are charged or assigned the appropriate share of costs. Pioneer also maintains expense accounts on its accounting records to capture non-regulated expenses associated with CATV and other non-regulated operations.

Wages, including paid time off, are assigned to the expense accounts, including non-regulated, based on employee time reporting or time allocations (used for non-direct time reporting

employees). Wage subaccounts are indicated by a "-1" account suffix. Time reporting and time allocations are discussed in the applicable section below. Benefits subaccounts and meal subaccounts are indicated by "-2" and "-3" account suffixes, respectively. Benefits and meal expenses are distributed to expense accounts in proportion to the distribution of wages. Non-wage related items do not have an account suffix and are generally directly charged to the applicable account. Assignments of costs that are of a joint nature are allocated to non-regulated operations based on allocation factors such as associated investment, customer counts or wage distributions. The allocation of joint expenses to non-regulated operations is performed as part of the annual cost study process.

Below is a discussion of each category of expense and methods for assigning expenses to non-regulated operations. To simplify the presentation the account suffixes aren't shown in the tables below.

Cable Television Signaling and Programming Expenses

Signaling and programming expenses attributable to all CATV services provided in Pioneer's service area are directly charged to Account 6010.1 – "SIGNL/PROG COST EXP-**CATV**." There are numerous subaccounts that capture the specific type of programming costs. Additionally, similar accounts exist on the affiliate's books to capture such costs.

Plant Specific Expense Accounts

Direct Charges to Non-Regulated Accounts

The non-regulated plant specific accounts used by Pioneer to capture costs directly attributable to non-regulated operations are indicated in Tables 6 and 7. Plant specific expense accounts also exist on affiliates books which capture direct charges. As mentioned above, subaccounts exist for wages, benefits, meals and other, but are not shown in the tables. Wage related expenses are directly charged to the accounts based on time reporting and allocations. Non-wage related costs are directly assigned to the appropriate account.

TABLE 6 - Plant Specific Expense Accounts Non-Regulated – Non-CATV

ACCOUNT	DESCRIPTION
6112.300	MOTOR VEHICLE EXPENSE – NONREGULATED
6231.600	RADIO SYSTEMS EXP-PAGING-VOICE MAIL-NONREG
6311.000	STATION APPARATUS EXPENSE-NONREGULATED
6311.110	STAT APPRTUS EXP-NONREG-INSTRUMENT
6311.120	STAT APPRTUS EXP-NONREG-PHONE SYSTEMS
6311.120	STAT APPRTUS EXP-NONREG-KEY PHONE
6311.130	STAT APPRTUS EXP-NONREG-MRLN & SPRT
6311.140	STAT APPRTUS EXP-NONREG-MOBILE
6311.150	STAT APPRTUS EXP-NONREG-PABX
6311.160	STAT APPRTUS EXP-NONREG-PAGING
6311.170	STAT APPRTUS EXP-NONREG-CELLULAR
6321.000	CUSTOMER PREMISES WIRING EXPENSE-NONREG
6351.000	PUBLIC TELEPHONE TERMINAL EQUIP EXPENSE
6531.100	POWER EXPENSE - MOBILE – NONREG

TABLE 7 – Plant Specific Accounts Non-Regulated - CATV

ACCOUNT	DESCRIPTION
2-6113.100	VEHICLE EXPENSE**CATV**
2-6117.100	OTHER WORK EQUIPMENT EXPENSE**CATV**
2-6119.100	BUILDING EXPENSE**CATV**
2-6122.100	FURNITURE EXPENSE**CATV**
2-6123.500	OFFICE EQUIPMENT EXPENSE**CATV**NONREG
2-6211.100	EARTH STATIONS EXPENSE**CATV**
2-6211.200	HEADEND EQUIPMENT EXPENSE**CATV**
2-6211.300	TOWER & ANTENNAS**CATV**
2-6211.400	CONVERTERS EXPENSE**CATV**
2-6211.500	DISTRIBUTION EQUIPMENT EXPENSE**CATV**
2-6211.600	DIGITAL BOXES EXPENSE**CATV**
2-6211.700	CABLE MODEMS EXPENSE**CATV**
2-6321.100	CUSTOMER PREMISE EQUIPMENT EXPENSE**CATV**
2-6420.100	AERIAL CABLE EXPENSE-COAX**CATV**
2-6420.200	AERIAL CABLE EXPENSE-FIBER**CATV**
2-6427.100	UNDERGROUND CABLE EXPENSE-COAX**CATV**
2-6427.200	UNDERGROUND CABLE EXPENSE-FIBER**CATV**
2-6428.100	BURIED CABLE EXPENSE-COAX**CATV**
2-6428.200	BURIED CABLE EXPENSE-FIBER**CATV**

Allocation of Joint Plant Specific Expenses

See Plant Accounts – Facilities Investments section for a discussion of adjustments for Plant Specific Expenses attributable to CATV services provided over FTTH facilities

A portion of the regulated general support asset plant specific accounts are allocated to non-regulated operations. Table 8 summarizes the basis of these allocations. These are based on the underlying investments that are presented in Table 4.

TABLE 8 – Summary of Allocation Methods for General Support Facility Expenses

Account	Description	Method Used for Assignment
6111.000	Land Expense	Land Investment
6112.000	Motor Vehicle Expense	Motor Vehicle Investment
6121.000	Building Expense	Building Investment
6122.000	Furniture Expense	Furniture Investment
6123.000	Office Equipment Expense	Office Equipment Investment
6123.100	Company Communication Equipment Expense	Company Communication Equipment Investment
6124.000	General Purpose Computer Expense	General Purpose Computer Investment

Depreciation

Direct Charges to Non-Regulated Accounts

Depreciation expenses for non-regulated plant accounts are directly captured in an associated depreciation expense account. Corresponding depreciation accounts are maintained for each of the asset accounts shown in Tables 2 and 3 and charged accordingly on monthly basis.

Allocation of Joint Depreciation Expenses

Depreciation expenses for General Support facilities that are allocated to non-regulated operations, shown in Table 8, are assigned to non-regulated operations in proportion to the related investments. As mentioned previously, this is performed as part of the annual cost study process.

Plant Non-Specific Expense Accounts

Pioneer maintains accounts to capture Plant Non-specific expenses that are associated with non-regulated operations. Plant non-specific expense accounts are also maintained on Pioneer's affiliates' books. The following list shows the non-regulated accounts for Pioneer. As discussed above, subaccounts exist for wages, benefits, meals and other, but are not shown in Table 9.

TABLE 9 – Plant Non-Specific Accounts Non-Regulated

ACCOUNT	DESCRIPTION
2-6512.000	PROVISIONING EXPENSE**CATV**
2-6531.000	POWER EXPENSE**CATV**
2-6532.000	NETWORK ADMINISTRATION EXPENSE**CATV**
2-6533.000	TESTING EXPENSE**CATV**
2-6534.000	PLANT OPERATIONS ADMINISTRATION EXPENSE**CATV**
2-6535.000	ENGINEERING EXPENSE**CATV**

Plant non-specific expenses are assigned to non-regulated operations based on wage distributions. Power expense associated with CATV is directly charged to the related account.

Customer Service Expenses

Direct Charges to Non-Regulated Accounts

Pioneer utilizes non-regulated customer service expense accounts to capture costs directly attributable to non-regulated operations. Table 10 show the specific non-regulated customer service expense accounts employed by Pioneer. Subaccounts exist for wages, benefits, meals and other, but are not shown in the table.

TABLE 10 – Non-Regulated Customer Service Expense Accounts

ACCOUNT	DESCRIPTION
2-6611.000	PRODUCT MANAGEMENT**CATV**
2-6613.000	PRODUCT ADVERTISING**CATV**
2-6612.000	SALES**CATV**
6622.110-300	DIRECTORY EXPENSES - NON-REGULATED
2-6623.100	CUSTOMER SERVICES**CATV**
2-6623.400	CUSTOMER SERVICES-OTHER B & C**CATV**

Wage related expenses are directly charged to the accounts based on time reporting and allocations. Non-wage customer service related costs that are directly attributable to non-regulated services are charged to the appropriate account.

Allocation of Joint Customer Service Expenses

As part of the annual cost study process, non-wage related customer service expenses are reviewed. If appropriate, costs of a joint nature are assigned to non-regulated operations. Typically, these expenses consist of travel related expenses that have not otherwise been assigned to non-regulated operations. In the annual study, customer service related joint costs are assigned to non-regulated operations based on customer counts.

A portion of customer service costs are attributable to providing billing and collection (B&C) services provided to affiliates. These are costs of a joint nature and primarily consist of bill

rendering and postage costs. These costs are assigned to regulated accounts 6623.1 – Customer Services Commercial, 6623.2 Customer Services Message Processing and 6623.4 – Customer Services Other B&C. A study of B&C costs is performed periodically and charges are developed on a per customer basis. In addition to the customer service expenses, the investment-related costs of computers used for B&C are included. Joint costs associated with B&C are assigned to non-regulated operations utilizing customer counts or billed messages. As mentioned previously B&C costs are recovered through monthly charges to affiliates.

Corporate Expenses

Direct Charges to Non-Regulated Accounts

Pioneer maintains accounts to record corporate operations expenses that are directly attributable to non-regulated operations. Corporate expense accounts are also maintained on Pioneer's affiliates' books. The following list shows the non-regulated accounts for Pioneer. As discussed above, subaccounts exist for wages, benefits, meals and other, but are not shown in Table 11.

TABLE 11 – Non-Regulated Corporate Operations Expense Accounts

ACCOUNT	DESCRIPTION
2-6711.000	EXECUTIVE**CATV**
2-6721.000	ACCOUNTING & FINANCE**CATV**
2-6722.000	EXTERNAL RELATIONS**CATV**
2-6723.000	HUMAN RESOURCES**CATV**
2-6725.000	LEGAL**CATV**
2-6726.000	PROCUREMENT**CATV**

Wage related expenses are directly charged to the accounts based on time reporting and allocations. Non-wage related corporate operations costs that are directly attributable to non-regulated services are assigned to the appropriate account.

Allocation of Common Corporate Operations Expenses

As part of the annual cost study process, non-wage related corporate operations expenses are reviewed. If appropriate, costs of a joint nature are assigned to non-regulated operations. Typically, these expenses consist of director costs, legal costs, travel related expenses and insurance costs that have not otherwise been assigned to non-regulated operations. Table 12 shows the regulated corporate accounts and the basis for allocation of non-wage-related costs.

TABLE 12 – Regulated Corporate Expense Accounts Requiring Allocation

ACCOUNT	DESCRIPTION	ALLOCATION BASIS
6711	Executive	Wage Distribution
6721	Accounting and Finance	Investment, Expense and Revenue
6722	External Relations	Wage Distribution
6723	Human Resources	Wage Distribution
6724	Information Services Software	Wage Distribution
6725	Legal	Wage Distribution
6728	Other General and Administrative	Expense

Taxes

Taxes Directly Charged to Non-Regulated Accounts

The following accounts are employed by Pioneer to record property and franchise taxes that are directly attributable to non-regulated operations. Separate accounts are also maintained by affiliate to record directly attributable property taxes.

TABLE 13 – Non-Regulated Other Tax Accounts

ACCOUNT	DESCRIPTION
2-7240.710	OPERATING OTHER TAXES-PROPERTY**CATV**
2-7240.720	OTHER OPERATING TAXES-CITY FRANCHISE**CATV**

Allocation of Taxes Attributable to General Support Facilities

For the General Support Assets listed in Table 4 a portion of the property taxes are assigned to non-regulated operations. This assignment is made in proportion to the investment amounts assigned to non-regulated operations.

Description of Time Reporting and Work Time Studies

Pioneer's employees perform functions related to both regulated and non-regulated operations. Wage related costs, including benefits, are assigned based on direct time reporting, time studies or allocation of time based on cost causative factors. Wages and related costs are charged to both Pioneer accounts (for regulated and non-regulated operations) and affiliate accounts. Non-productive time is assigned in the same proportion as actual or productive work hours.

Table 14 shows a listing of departments and the method employed by Pioneer for identification of the amount of work time that is associated with non-regulated operations. The following departments' hourly/non-salaried employees prepare time sheets on a daily basis: Outside Plant, Central Office, Engineering, Buildings and Grounds, Directory, Warehouse and Tech Center are

indicated as direct reported time. The daily time reporting detail allows appropriate assignments between regulated and non-regulated operations as well as affiliate accounts. For Customer Service, Central Office Administration and 24-Hour Call Center functions, time studies are performed for a representative period. This typically consists on a two-week to one month period. For departments with functions that are of a more general nature; i.e., Human Resources, Marketing, Data Processing, Accounting and Management time is assigned in a cost causative fashion. Due to the general nature and variety of tasks performed by these employees, it is not practical to specifically report work time expended for regulated and non-regulated operations. For instance, Human Resources work is associated with all employees regardless of whether they perform regulated and non-regulated functions. For a human resources manager to consider how much time is attributable to regulated versus non-regulated operations would be arbitrary. A general allocation of human resource functions based on the composite time of all other reporting employees is a reasonable method for assignment of time between regulated and non-regulated functions. Likewise, for other general functions of the company including Management, Marketing, Data Processing, and Accounting, a general allocation approach is appropriate.

The table below shows the method for allocation of time for each of Pioneer's departments. These methods determine the assignment of wage-related costs between regulated and non-regulated operations as well as amounts assignable to affiliates.

TABLE 14 – Time Assignment Method By Department

Department	Time Assignment Method
Human Resources	Allocate based upon the total of all other departments (shown below)
Building and Grounds	Direct Reported
24-Hour Call Center	Time Study
Engineering	Direct Reported
Central Office	Direct Reported and Time Study (Administration)
Customer Services – WestLink	Direct Reported
Customer Services – Other	Time Study
Marketing	Revenue Distribution
Data Processing	See allocation of Accounting
Outside Plant	Direct Reported
Accounting Warehouse	Direct Reported
Accounting-Directory	Direct Reported
Accounting-Other	Composite distribution of assets, expenses and revenue weighted equally (one-third each)
Tech Center	Direct Reported
Management	Allocate Department Heads based on the time allocation for related Department CEO/General Manager – Time Study to determine the amount associated with the Regulatory function. The remainder assigned based on total allocation of all employees.



120 West Kansas Avenue
P.O. Box 707
Ulysses, Kansas 67880-0707

Tel: 620/356-3211
Fax: 620/356-3242
Internet: www.pioncomm.net

April 30, 2012

Received
on

APR 30 2012

Patti Petersen-Klein
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604-4027

by
State Corporation Commission
of Kansas

**Re: In the Matter of The Pioneer Telephone Association, Inc. d/b/a
Pioneer Communications Compliance Filings as Required by
Commission Order Dated 10-19-2011 in
Docket No. 11-PNRT-315-KSF**

Dear Ms. Petersen-Klein,

Please find enclosed a scanned original and seven (7) copies of the April 30, 2012 Compliance Filing as required by Commission Order Dated 10-19-2011 in Docket No. 11-PNRT-315-KSF. An original copy be delivered to the docket room by overnight UPS service tomorrow, May 1, 2012.

Please note the Analysis of Affiliate Transactions contains actual employee salary information in the table on page 3, and the correlation to average wage by percentages in the first paragraph on page 4. Both pages have been marked Confidential. Additionally, one complete version has been provided, as has one redacted version—both versions have been marked Confidential on pages 3 and 4. Because actual employee salary information is sensitive to both the company and to its employees, I am requesting confidential treatment of specific numbers contained in the Analysis of Affiliate Transactions, as represented in the redacted version.

Should the Commission or Staff have any questions, please contact me.

Regards,

A handwritten signature in cursive script that reads 'Catherine Moyer'.

Catherine Moyer
General Manager & CEO
The Pioneer Telephone Association, Inc. d/b/a Pioneer Communications
120 West Kansas Avenue, PO Box 707
Ulysses, Kansas 67880
620.356.7133 direct phone
620.424.3133 direct fax
catherine@pioncomm.net

Enc.