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August 14,2017

Washington Utilities and Transportation Commission  
PO BOX 47250  
1300 South Evergreen Park Drive, SW  
Olympia, WA 98504-7250

RE: Supplemental Information Docket UT-170861

Attached are the supplemental pages containing the additional information as well as updated information requested for Skyline Telecom Inc's Petition to request support from the State Universal Communications Support program.

If the Commission has any questions regarding the filing, please feel free to contact me at 541-932-4411 or [dkluser@ortelco.net](mailto:dkluser@ortelco.net).

Sincerely,

A handwritten signature in blue ink, appearing to be "DK", with a long, sweeping horizontal line extending to the right.

Delinda Kluser  
Vice-Pres, Manager

### EXHIBIT 3

#### DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Company finds itself has created a climate of great financial uncertainty. The Company has been working over the past several years to address growing competition. The Company has taken steps to increase the availability and attributes of advanced services offered by the Company, including broadband. This has resulted in the Company making additional investments in regulated plant of approximately \$238,245 during the period January 1, 2011 through December 31, 2016. The Company made significant investments in plant prior to 2011. As a result, the Company has a substantial debt obligation to cover the investment that has been made.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. What this information demonstrates is that, when adjusted to eliminate the support from the state Universal Communications Services Program that the Company received or accrued in 2016, the Company's total regulated revenue decreased by \$107,191 from 2011 through 2016. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations, such as debt-related payments.

At the same time, the Company is seeing increased competition. For example, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Since 2011, the Company has lost 33 access lines which equates to a significant loss of 22.4%. A loss of customers equates to a loss of revenue without a corresponding reduction in expenses or corresponding increase in rates. This trend of access line loss is exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal USF support.

As another example, some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the Federal Communications Commission.<sup>1</sup> The USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base line year for calculating terminating access and reciprocal compensation revenues and provides support from the Connect America Fund ("CAF") based on the base line year. However, the base line year revenues (from which the level of CAF support is

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<sup>1</sup> *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).

derived) are reduced iteratively by five percent each year. The CAF support reduction began in July 2012. Projecting through the year ending June 30, 2018, including reductions that will occur July 1, 2017, the Company has seen a reduction in support from the base line revenue of approximately \$92,093.

The Company also continues to experience a significant net loss due to providing broadband to its service territories. In 2011 the loss was \$11,339 compared to a loss of \$74,584 in 2016. While subscriber counts have remained fairly consistent in the last few years, rising costs of backbone and wholesale tariff rate increases, contribute to the net loss.

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

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

EXHIBIT 4  
STATE USF FILING  
FINANCIAL TEMPLATE  
NON-"S CORP" COMPANIES

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

Company Name: (Below)  
Skyline Telecom Inc

ASSETS	Balance End of Year 2015 (A)	Part 64 Adj to NonReg 2015 (B)	Adj. Balance End of Year 2015 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2015 (A)	Part 64 Adj to NonReg 2015 (B)	Adj. Balance End of Year 2015 (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	305,158		305,158	25. Accounts Payable	52,146		52,146
2. Cash-RUS Construction Fund			0	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	665		665
a. Telecom, Accounts Receivable	104,236		104,236	28. Customer Deposits			
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	117,102		117,102
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.	0		0
4. Non-Affiliates:				31. Current Mat. - Capital Leases	0		0
a. Telecom, Accounts Receivable			0	32. Income Taxes Accrued	0		0
b. Other Accounts Receivable			0	33. Other Taxes Accrued	0		0
c. Notes Receivable			0	34. Other Current Liabilities	0		0
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	169,913	0	169,913
6. Material-Regulated			0	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated	581		581	36. Funded Debt-RUS Notes	336,048		336,048
8. Prepayments	43,293		43,293	37. Funded Debt-RTB Notes	201,091		201,091
9. Other Current Assets			0	38. Funded Debt-FFB Notes	0		0
10. Total Current Assets (1 Thru 9)	453,268	0	453,268	39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	0		0
<b>NONCURRENT ASSETS</b>				41. Premium (Discount) on L/T Debt	0		0
11. Investment in Affiliated Companies				42. Recquired Debt	0		0
a. Rural Development	0		0	43. Obligations Under Capital Lease	0		0
b. Nonrural Development	0		0	44. Adv. From Affiliated Companies	0		0
12. Other Investments				45. Other Long-Term Debt	0		0
a. Rural Development	0		0	46. Total Long-Term Debt (36 thru 45)	537,139	0	537,139
b. Nonrural Development			0	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
13. Nonregulated Investments (B1)			0	47. Other Long-Term Liabilities	0		0
14. Other Noncurrent Assets			0	48. Deferred Income Taxes	75,870		75,870
15. Deferred Charges	18,175		18,175	49. Other Deferred Credits (D)	0		0
16. Jurisdictional Differences			0	50. Other Jurisdictional Differences	0		0
17. Total noncurrent Assets (11 thru 16)	18,175	0	18,175	51. Total Other Liab. & Def. Credits (47 thru 50)	75,870	0	75,870
				<b>EQUITY</b>			
<b>PLANT, PROPERTY AND EQUIPMENT</b>				52. Cap. Stock Outstanding & Subscribed	262,582		262,582
18. Telecom Plant-in-Service	3,019,743		3,019,743	53. Additional Paid-in-Capital	0		0
19. Property Held for Future Use			0	54. Treasury Stock	0		0
20. Plant Under Construction			0	55. Membership and Capital Certificates	0		0
21. Plant Adj., Nonop Plant & Goodwill			0	56. Other Capital	0		0
22. Accumulated Depreciation (CR.)	(2,045,030)		(2,045,030)	57. Patronage Capital Credits	0		0
23. Net Plant (18 thru 21 less 22)	974,713	0	974,713	58. Retained Earnings or Margins (B2)	400,652		400,652
				59. Total Equity (52 thru 58)	663,234		663,234
24. TOTAL ASSETS (10+17+23)	1,446,156	0	1,446,156	60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	1,446,156	0	1,446,156

Footnotes:

- (A) - As reported on RUS Form 479
- (B) - Part 64 adjustments from regulated to nonregulated.
- (C) - Adjusted Balance after Part 64
- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

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

Company Name: (Below)  
Skyline Telecom Inc

ASSETS	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	364,491		364,491	25. Accounts Payable	64,991		64,991
2. Cash-RUS Construction Fund			0	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	0		0
a. Telecom, Accounts Receivable	56,120		56,120	28. Customer Deposits	365		365
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	123,205		123,205
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.	0		0
4. Non-Affiliates:				31. Current Mat. - Capital Leases	0		0
a. Telecom, Accounts Receivable			0	32. Income Taxes Accrued	0		0
b. Other Accounts Receivable			0	33. Other Taxes Accrued	0		0
c. Notes Receivable			0	34. Other Current Liabilities	0		0
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	188,561	0	188,561
6. Material-Regulated			0	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated	416		416	36. Funded Debt-RUS Notes	258,104		258,104
8. Prepayments	24,702		24,702	37. Funded Debt-RTB Notes	155,258		155,258
9. Other Current Assets			0	38. Funded Debt-FFB Notes	0		0
10. Total Current Assets (1 Thru 9)	445,729	0	445,729	39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	0		0
<b>NONCURRENT ASSETS</b>				41. Premium (Discount) on L/T Debt	0		0
11. Investment in Affiliated Companies				42. Reacquired Debt	0		0
a. Rural Development			0	43. Obligations Under Capital Lease	0		0
b. Nonrural Development			0	44. Adv. From Affiliated Companies	0		0
12. Other Investments				45. Other Long-Term Debt	0		0
a. Rural Development			0	46. Total Long-Term Debt (36 thru 45)	413,362	0	413,362
b. Nonrural Development			0	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
13. Nonregulated Investments (B1)			0	47. Other Long-Term Liabilities	0		0
14. Other Noncurrent Assets			0	48. Deferred Income Taxes	74,770		74,770
15. Deferred Charges	16,635		16,635	49. Other Deferred Credits (D)	0		0
16. Jurisdictional Differences			0	50. Other Jurisdictional Differences	0		0
17. Total noncurrent Assets (11 thru 16)	16,635	0	16,635	51. Total Other Liab. & Def. Credits (47 thru 50)	74,770	0	74,770
				<b>EQUITY</b>			
<b>PLANT, PROPERTY AND EQUIPMENT</b>				52. Cap. Stock Outstanding & Subscribed	262,582		262,582
18. Telecom Plant-in-Service	3,134,406		3,134,406	53. Additional Paid-in-Capital	0		0
19. Property Held for Future Use			0	54. Treasury Stock	0		0
20. Plant Under Construction			0	55. Membership and Capital Certificates	0		0
21. Plant Adj., Nonop Plant & Goodwill			0	56. Other Capital	0		0
22. Accumulated Depreciation (CR.)	(2,254,906)		(2,254,906)	57. Patronage Capital Credits	0		0
23. Net Plant (18 thru 21 less 22)	879,500	0	879,500	58. Retained Earnings or Margins (B2)	402,589	0	402,589
				59. Total Equity (52 thru 58)	665,171	-	665,171
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>1,341,864</b>	<b>0</b>	<b>1,341,864</b>	<b>60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>1,341,864</b>	<b>0</b>	<b>1,341,864</b>

Footnotes:

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

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

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

Company Name: (Below)  
Skyline Telecom Inc

ASSETS	Adjusted Prior Year Balance 2015	Adjusted Current Year Balance 2016	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2015	Adjusted Current Year Balance 2016
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	305,158	364,491	25. Accounts Payable	52,146	64,991
2. Cash-RUS Construction Fund	0	0	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	104,236	56,120	28. Customer Deposits	665	365
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	117,102	123,205
c. Notes Receivable	0	0	30. Current Mat. L/T Debt Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat. - Capital Leases	0	0
a. Telecom, Accounts Receivable	0	0	32. Income Taxes Accrued	0	0
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	0	0
c. Notes Receivable	0	0	34. Other Current Liabilities	0	0
5. Interest and Dividends Receivable	0	0	35. Total Current liabilities (25 - 34)	169,913	188,561
6. Material-Regulated	0	0	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	581	416	36. Funded Debt-RUS Notes	336,048	258,104
8. Prepayments	43,293	24,702	37. Funded Debt-RTB Notes	201,091	155,258
9. Other Current Assets	0	0	38. Funded Debt-FFB Notes	0	0
10. Total Current Assets (1 Thru 9)	453,268	445,729	39. Funded Debt-Other	0	0
			40. Funded Debt-Rural Develop. Loan	0	0
<b>NONCURRENT ASSETS</b>			41. Premium (Discount) on L/T Debt	0	0
11. Investment in Affiliated Companies			42. Reacquired Debt	0	0
a. Rural Development	0	0	43. Obligations Under Capital Lease	0	0
b. Nonrural Development	0	0	44. Adv. From Affiliated Companies	0	0
12. Other Investments			45. Other Long-Term Debt	0	0
a. Rural Development	0	0	46. Total Long-Term Debt (36-45)	537,139	413,362
b. Nonrural Development	0	0	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
13. Nonregulated Investments	0	0	47. Other Long-Term Liabilities	0	0
14. Other Noncurrent Assets	0	0	48. Deferred Income Taxes	75,870	74,770
15. Deferred Charges	18,175	16,635	49. Other Deferred Credits	0	0
16. Jurisdictional Differences	0	0	50. Other Jurisdictional Differences	0	0
17. Total noncurrent Assets (11 thru 16)	18,175	16,635	51. Total Other Liab. & Def. Credits (47 thru 50)	75,870	74,770
			<b>EQUITY</b>		
<b>PLANT, PROPERTY AND EQUIPMENT</b>			52. Cap. Stock Outstanding & Subscribed	262,582	262,582
18. Telecom Plant-in-Service	3,019,743	3,134,406	53. Additional Paid-in-Capital	0	0
19. Property Held for Future Use	0	0	54. Treasury Stock	0	0
20. Plant Under Construction	0	0	55. Membership and Capital Certificates	0	0
21. Plant Adj., Nonop Plant & Goodwill	0	0	56. Other Capital	0	0
22. Accumulated Depreciation (Cr.)	(2,045,030)	(2,254,906)	57. Patronage Capital Credits	0	0
23. Net Plant (18 thru 21 less 22)	974,713	879,500	58. Retained Earnings or Margins	400,652	402,589
			59. Total Equity (52 thru 58)	663,234	665,171
24. TOTAL ASSETS (10+17+23)	1,446,156	1,341,864	59. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	1,446,156	1,341,864

Footnote:  
Adjusted Balances represents balances  
after Part 64 adjustments

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

Company Name: (Below)  
 Skyline Telecom Inc

Line #	Description	B/S Line #	Adj. Balance End of Year 2015	Adj. Balance End of Year 2016	Average Adj End of Year Balance
<b>Average Rate Base:</b>					
1	Total Regulated Adjusted Telecom Plant-In-service	18	3,019,743	3,134,406	3,077,075
2	Total Property Held for Future Use	19	0	0	0
3	Total Regulated Adjusted Accumulated Depreciation (CR)	22	(2,045,030)	(2,254,906)	(2,149,968)
4	Total Regulated Materials & Supplies	6	0	0	0
5	Deferred Income Taxes (CR)	48	(75,870)	(74,770)	(75,320)
6	<b>Total Regulated Rate Base</b>		<b>898,843</b>	<b>804,730</b>	<b>851,787</b>

Footnotes:

1. Normal balance of deferred income taxes and accumulated depreciation is a credit.

2. Adjusted balance includes Part 64 adjustments



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

Company Name: (Below)  
 Skyline Telecom Inc

Line #	Description	Prior Year End of Yr. Balance - 2015	Current Year End of Yr. Balance - 2016	Difference	% Change
1	Access Lines: Residential	108	100	(8)	-7.4%
2	Business	18	11	(7)	-38.9%
3	Total	126	111	(15)	-11.9%

Note: If 2015 does not equal last year's petition and template,  
 explain.

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

Company Name: (Below)  
 Skyline Telecom Inc

Line #	Description	Prior Year 2015 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2015 (C)
1	Local Network Services Revenues	28,841		28,841
2	Network Access Services Revenues	935,151		935,151
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues			0
5	Miscellaneous Revenues			0
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(182)		(182)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>963,810</b>	<b>0</b>	<b>963,810</b>
8	Plant Specific Operations Expense	255,327		255,327
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	14,095		14,095
10	Depreciation Expense	189,051		189,051
11	Amortization Expense	1,540		1,540
12	Customer Operations Expense			0
13	Corporate Operations	369,765		369,765
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>829,778</b>	<b>0</b>	<b>829,778</b>
15	Operating Income or Margins (7 less 14)	134,032	0	134,032
16	Other Operating Income and Expenses ( )			0
17	State and Local Taxes			0
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	33,520		33,520
19	Other Taxes	5,402		5,402
20	<b>Total Operating Taxes (17+18+19)</b>	<b>38,922</b>	<b>0</b>	<b>38,922</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>95,110</b>	<b>0</b>	<b>95,110</b>
22	Interest on Funded Debt	33,677		33,677
23	Interest Expense - Capital Leases			0
24	Other Interest Expense			0
25	Allowance for Funds Used During Construction (CR)			0
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>33,677</b>	<b>0</b>	<b>33,677</b>
27	Nonoperating Net Income	21,665		21,665
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	(63,722)	0	(63,722)
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>19,376</b>	<b>0</b>	<b>19,376</b>
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	381,276		381,276
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	<b>Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)</b>	<b>400,652</b>	<b>0</b>	<b>400,652</b>
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	145,522		145,522
45	Cash Ratio ((14+20-10-11)/7)	0.7036	#DIV/0!	0.7036
46	Operating Accrual Ratio ((14+20+26)/7)	0.9363	#DIV/0!	0.9363
47	TIER ((31+26)/26)	1.5753	#DIV/0!	1.5753
48	DSCR ((31+26+10+11)/44)	1.6743	#DIV/0!	1.6743

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Inc. Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 2, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

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

Company Name: (Below)  
Skyline Telecom Inc

Line #	Description	Current Year 2016 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2016 (C)
1	Local Network Services Revenues	28,596		28,596
2	Network Access Services Revenues	708,176		708,176
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues			0
5	Miscellaneous Revenues			0
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(738)		(738)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>736,034</b>	<b>0</b>	<b>736,034</b>
8	Plant Specific Operations Expense	181,975		181,975
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	5,834		5,834
10	Depreciation Expense	209,876		209,876
11	Amortization Expense	1,540		1,540
12	Customer Operations Expense			0
13	Corporate Operations	225,628		225,628
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>624,853</b>	<b>0</b>	<b>624,853</b>
15	Operating Income or Margins (7 less 14)	111,181	0	111,181
16	Other Operating Income and Expenses ( )			0
17	State and Local Taxes			0
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	26,347		26,347
19	Other Taxes	5,445		5,445
20	<b>Total Operating Taxes (17+18+19)</b>	<b>31,792</b>	<b>0</b>	<b>31,792</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>79,389</b>	<b>0</b>	<b>79,389</b>
22	Interest on Funded Debt	28,245		28,245
23	Interest Expense - Capital Leases			0
24	Other Interest Expense			0
25	Allowance for Funds Used During Construction (CR)			0
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>28,245</b>	<b>0</b>	<b>28,245</b>
27	Nonoperating Net Income	25,377		25,377
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	(74,584)	0	(74,584)
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>1,937</b>	<b>0</b>	<b>1,937</b>
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	400,652		400,652
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	<b>Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)</b>	<b>402,589</b>	<b>0</b>	<b>402,589</b>
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	145,919		145,919
45	Cash Ratio ((14+20-10-11)/7)	0.6049	#DIV/0!	0.6049
46	Operating Accrual Ratio ((14+20+26)/7)	0.9305	#DIV/0!	0.9305
47	TIER ((31+26)/26)	1.0686	#DIV/0!	1.0686
48	DSCR ((31+26+10+11)/44)	1.6557	#DIV/0!	1.6557

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Inc. Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 3, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No Impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

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

Company Name:  
 Skyline Telecom Inc

Line #	Description	Adjusted Prior Year 2015	Adjusted Current Year 2016
1	Local Network Services Revenues	28,841	28,596
2	Network Access Services Revenues	935,151	708,176
3	Long Distance Network Services Revenues	0	0
4	Carrier Billing and Collection Revenues	0	0
5	Miscellaneous Revenues	0	0
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(182)	(738)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>963,810</b>	<b>736,034</b>
8	Plant Specific Operations Expense	255,327	181,975
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	14,095	5,834
10	Depreciation Expense	189,051	209,876
11	Amortization Expense	1,540	1,540
12	Customer Operations Expense	0	0
13	Corporate Operations	369,765	225,628
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>829,778</b>	<b>624,853</b>
15	Operating Income or Margins (7 less 14)	134,032	111,181
16	Other Operating Income and Expenses ( )	0	0
17	State and Local Taxes	0	0
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	33,520	26,347
19	Other Taxes	5,402	5,445
20	<b>Total Operating Taxes (17+18+19)</b>	<b>38,922</b>	<b>31,792</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>95,110</b>	<b>79,389</b>
22	Interest on Funded Debt	33,677	28,245
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	0	0
25	Allowance for Funds Used During Construction	0	0
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>33,677</b>	<b>28,245</b>
27	Nonoperating Net Income	21,665	25,377
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(63,722)	(74,584)
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>19,376</b>	<b>1,937</b>
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	381,276	400,652
34	Miscellaneous Credits Year-to-Date	0	0
35	Dividends Declared (Common)	0	0
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	0	0
38	Transfers to Patronage Capital	0	0
39	<b>Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))</b>	<b>400,652</b>	<b>402,589</b>
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	145,522	145,919
45	Cash Ratio ((14+20-10-11)/7)	0.7036	0.6049
46	Operating Accrual Ratio ((14+20+26)/7)	0.9363	0.9305
47	TIER ((31+26)/26)	1.5753	1.0686
48	DSCR ((31+26+10+11)/44)	1.67	1.6557

Footnote  
 (A1) S Corporation Effective Tax Rate (2 decimal places):  
 Note:  
 Adjusted Income Statement reflects Part 64 Adjustments (Regulated to  
 Nonregulated).

2015 2016

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

Company Name: (Below)  
 Skyline Telecom Inc

Line #	Description	Part 32 Account	Prior Year 2015	Current Year 2016
1	End User Revenue (SLC, ARC, etc.)	5081	14,978	12,001
2	Switched Access (excluding USF):	5082		
2a	Intrastate		11,490	7,730
2b	Interstate (Includes CAF)		438,938	358,170
3	Special Access:	5083		
3a	Intrastate			
3b	Interstate		45,121	49,074
4	Federal USF (ICLS/HCL/SN)	Varies	299,067	266,195
5	State USF		114,065	
6	Other*		11,492	15,006
7	Total (must equal line 2 of Income Stmt.)		935,151	708,176
8	Line 2 of Income Stmt.		935,151	708,176
9	Difference		0	0

Footnote:

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

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

Company Name: (Below)  
 Skyline Telecom Inc

Pro Forma (PF)/Adjustment for Current Year Petition or Reversing from Prior Year Adjustment #1:	Description of Out-of-Period (OOP) - 2016 (As Recorded) OR Adjustment #2:	Year	OOP or PF?	Part 32 Account	
				Debit	Credit
Adjustment #1:					
Adjustment #2:					
Adjustment #3:					
Adjustment #4:					
Adjustment #5:					

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

Company Name: (Below)  
 Skyline Telecom Inc

Line #	Description	2016 (A)	2016 (B)
1	Rate Base (Jan. 1)	898,843	898,843
2	Rate Base (Dec 31)	804,730	804,730
3	Average Rate Base	851,787	851,787
4	Net Operating Income	79,389	79,389
5	Out-of-Period Adjustments Net of FIT (1)		
6	Adjusted Net Operating Income	79,389	79,389
7	Earned Regulated Rate of Return	9.32%	9.32%

Footnotes:

- (1) Lines 5 & 12 will be completed by Staff
- (A) Column A to be completed by Company,
- (B) Column B should equal Column A, but may include any Staff Adjustments