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October 12, 2010

VIA E-FILING

David Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Docket No. UT-100562

Dear Mr. Danner:

It was reported to me that it became apparent at the workshop on October 4, 2010, and in conversations with Commission Staff subsequent to that workshop, that there may be a misunderstanding about the application of the simplified earnings test. This letter will attempt to correct that understanding.

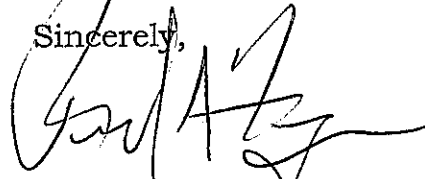
As proposed by WITA, the purpose of the simplified earnings test is to determine a threshold. If a company "passes" the simplified earnings test, that means it is eligible to receive universal service support to replace its access charge reductions. It would not be used as a means to raise a company up to a higher rate of return.

For example, if the simplified earnings test showed that a company had a 6% overall rate of return, it would mean that it "passed" the test and could receive universal service support for the access charge revenues that are in the total revenues that make up that 6% overall rate of return, but will be going away under access reform. This means that the rate of return after receipt of the USF funds, all other things being equal, would still be 6%. It is not proposed to use the simplified earnings test to increase a company's rate of return. If a company wants to get an increase in its rate of return, it would need to file a rate case.

David Danner
October 12, 2010
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I trust this helps clarify WITA's proposal on this point.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard A. Finnigan", written in a cursive style.

RICHARD A. FINNIGAN

RAF/km

cc: Chairman Goltz (via e-mail)
Commissioner Oshie (via e-mail)
Commissioner Jones (via e-mail)
Brian Thomas (via e-mail)
Bill Weinman (via e-mail)
Tim Zawislak (via e-mail)
Docket Participants (via e-mail)