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September 30, 2019

Mr. Mark L. Johnson, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

Re: UT-190641 – Skyline Telecom, Inc.

Dear Mr. Johnson:

This letter is being submitted on behalf of Skyline Telephone Company in the above referenced docket. Commission Staff has indicated to Skyline that it should not receive support from the Universal Communications Service Program for 2020 because its 2018 rate of return is too high. However, there are two considerations that should be included in the analysis that Staff has not considered to date.

First, the results of operations for 2018 include the award from the Universal Communications Service Program in December of 2018 for operations in 2019. That amount of \$104,869 should be taken out of the calculation because it really relates to 2019 operations, not 2018 operations. With that adjustment the Company's regulated rate of return is 15.17 percent.

However, the changes to the Universal Communications Service Program also add broadband as a supported service. That change is in effect as of this date. The Company had a net income from its broadband activities of a negative \$81,668.

The broadband operations received wholesale revenue through NECA of \$13,838 and ISP retail revenue of \$5,020 for a total revenue of \$18,858. The broadband expenses include the NECA wholesale rate of \$59,711, backbone expense of \$38,524 and miscellaneous expenses of \$2,291 for total expenses of \$100,526. This produced a negative net income of \$81,668.

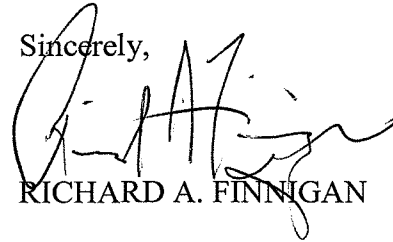
Taking into account the net loss from broadband operations reduces the rate of return to 1.62 percent. Since broadband operations should now be considered as part of the Universal Communications Service Program, this net rate of return of 1.62 percent should be the one that is looked at to determine eligibility for support.

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Mark L. Johnson  
September 30, 2019  
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Given the extremely rural nature of Skyline's operations, it is clear that support is needed to continue broadband operations. Thank you for your consideration of the foregoing.

Sincerely,

A handwritten signature in black ink, appearing to read "R. A. Finnigan", written over the printed name.

RICHARD A. FINNIGAN

RAF/cs

cc: Client (via e-mail)  
Jing Roth (via e-mail)  
Sean Bennett (via e-mail)  
Tim Zawislak (via e-mail)