

Dear Valued Customer -

Hat Island Telephone Company ("Company") has not implemented a local residential service rate increase in over 32 years. Though we prefer not to change our rates for such service, an order by the Federal Communications Commission ("FCC") has given us no reasonable alternative.

The Company has filed with the Washington Utilities and Transportation Commission ("Commission") to increase the Company's monthly recurring rates for residential individual line service station, to \$16.00, effective November 1, 2014. The Company's current monthly recurring rate for residential individual line service station is \$15.00.

The FCC has issued an Order (FCC Order No. 11-161) that requires the Company to increase its rates to the levels set forth in this Notice or face a corresponding reduction in its universal service support. Universal service support enables the Company to provide high quality service to you. The Company has historically opposed raising its local rates, but after due consideration, the Company believes it has no choice but to follow the FCC's requirement. We believe that, even with the proposed increase, our rates will continue to represent exceptionally good value for our customers.

This is not something that the Company is taking lightly. However, in considering the options available to it, the Company believes it has no choice but to follow the FCC's requirement in order to continue to receive universal service support at approximately the same levels it has in the past.

If you have any questions about the proposed filing and how it will affect you, please call the Company at (360) 444-1122.

The Commission has the authority to set rates that may vary from the Company's request, depending on the outcome of its investigation. Commission staff will make a recommendation to the Commissioners at an open meeting in Olympia, which is scheduled for 9:30 a.m. on October 30, 2014. You will have an opportunity to comment in person at this meeting. If you are unable to attend the open meeting, the Commission has a bridge line which enables you to participate by telephone. Call (360) 664-1234 the day before the open meeting for instructions and to sign in. You can also comment by using the "Public Comment" feature at the Commission's web site, at [utc.wa.gov](http://utc.wa.gov), or by using the contact information below.

Washington Utilities and Transportation Commission  
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Olympia, WA 98504-7250  
E-mail: [comments@utc.wa.gov](mailto:comments@utc.wa.gov)  
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HAT ISLAND TELEPHONE COMPANY

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