

JUL 27 2006

BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE REQUEST OF))	ANNUAL ETC CERTIFICATION
SANTEL COMMUNICATIONS))	FILING AND SUBMITTAL
COOPERATIVE FOR CERTIFICATION))	PURSUANT TO ARSD § 20:10:32:53
REGARDING ITS USE OF FEDERAL))	
UNIVERSAL SERVICE SUPPORT.))	

Santel Communications Cooperative (the “Company”), by and through its attorney, makes this filing to seek certification from the South Dakota Public Utilities Commission (the “Commission”) as is required under 47 C.F.R. § 54.314 and to comply with the Commission’s new rules pertaining to ETCs, including the provisions of ARSD §§ 20:10:32:52, 20:10:32:53 and 20:10:32:54. As part of this filing, Santel offers the following:

1. Pursuant to 47 C.F.R. § 54.314, each carrier that has been designated as an eligible telecommunications carrier (“ETC”) that is eligible to receive future federal universal service support must file an annual certification with the FCC and the Universal Service Administrative Company (“USAC”) stating that federal high-cost support provided to the carrier will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended. This certification requirement applies to various categories of federal universal service support, including support provided pursuant to 47 C.F.R. §§ 54.301, 54.305, and/or 54.307, and/or 47 C.F.R. Part 36, Subpart F (high-cost loop support, local switching support, safety net additive support and safety valve support). Support provided under these FCC rule provisions will only in the future be made available if the State Commission files the requisite certification pursuant to 47 C.F.R. § 54.314.

2. The certification required specifically for rural carriers to receive federal universal service support for all four quarters during calendar year 2007 is currently due to be filed with the FCC and USAC on or before October 1, 2006. The certification may be presented to these

entities in the form of a letter from the State Commission. The letter must identify which carriers in the State are eligible to receive federal support during the 12-month period and must certify that the carriers listed will only use the support for the provision, maintenance and upgrading of facilities and services for which the support is intended.

3. Santel is a rural telephone company that has previously been designated by this Commission as an ETC. Santel provides local exchange telephone services, including all of the essential services that are included in the federal definition of universal service, to approximately 4775 access lines within its established rural service area in South Dakota.

4. As is required by the provisions of ARSD § 20:10:32:43.01, Santel is committed to providing service throughout its existing rural service area, or study area, to all customers making a reasonable request for service. Since 1952, Santel has served as the incumbent local exchange carrier within its established service area and has operated as a “carrier of last resort” in such area. As the carrier of last resort, Santel already has extended wireline local exchange network facilities throughout its service area as necessary to make all essential local exchange services that are supported by federal universal service available to all end-user customers within its service area. Consistent with its past practice, Santel hereby certifies that it will provide service on a timely basis to all requesting customers within its designated ETC service area. In certain cases, the provisioning of this service may require a customer in a new location to first meet the requirements of Santel’s line extension policies. These line extension policies are, however, consistent with the requirement under both federal and state law to meet all reasonable requests for service.

5. Santel has the ability to remain functional in emergency situations as required by the provisions of ARSD § 20:10:32:43.03. Santel is currently in compliance with this Commission's "auxiliary and battery power requirements" set forth in ARSD 20:10:33:19.

6. The provisions of ARSD § 20:10:32:54 addressing the annual "Certification requirements" set forth by this Commission indicate in part that the ETC must show "how much universal service support was received." Accordingly, attached hereto as "Exhibit A" is information indicating "Year 2005 Federal Universal Service Receipts" received by Santel. This same Exhibit also shows total expenditures of Santel in 2005 related to the provision, maintenance and upgrading of the facilities and services that are supported by Federal Universal Service Funding and further estimates these same expenditures for calendar year 2007. Consistent with federal universal service principles, Santel will use federal universal service amounts received in 2007 to offset a portion of these 2007 expenditures. This use of federal universal service support will enable Santel to: (1) maintain rates for its local exchange services that are affordable and reasonably comparable to rates being charged for the same services in urban areas; and (2) to upgrade its telecommunications facilities and equipment as necessary to meet evolving service requirements and maintain high quality service. The use of federal universal service support for these purposes is clearly consistent with the federal universal service provisions.

7. In addition to the information included in Exhibit A, the following information is provided to meet the Commission's "Certification requirements" set forth in 20:10:32:54:

- Santel's service quality improvement plan is to continue to upgrade its telecommunications facilities and equipment as necessary to meet evolving service requirements and maintain high quality service throughout its service area. As an

incumbent local exchange carrier and the carrier of last resort in its service area, Santel upgrades and replaces facilities and equipment as necessary. In furtherance of its service quality improvement plan, Santel will use any high-cost universal service amounts received by it to offset expenditures incurred as it continues to upgrade and replace facilities and equipment. Santel's "two-year service quality improvement plan," required under the provisions of ARSD 20:10:32:54, is attached hereto as "Exhibit B."

- During calendar year 2005, Santel experienced the following service outages affecting at least 10 percent of its end user customers, for a period lasting longer than 30 minutes: On November 27th, 2005, the area served by Santel in all of its exchanges was hit by an ice storm, followed by 12 inches of snow and 50 mile per hour winds. This storm downed REA power lines throughout our entire telephone service area including the following exchanges: Alpena, Artesian, Ethan, Forestburg, Letcher, Mt. Vernon, Parkston, Tripp, Wolsey and Woonsocket. The power outage did not affect any of Santel's central office switches or the customers served by them, as the central offices have permanent backup generators. The power outage only affected Santel's customers who were served by Digital Loop Carrier (DLC) cabinets. These cabinets run on backup battery power for 6-10 hours. Since the DLC cabinets did not have power, the customers served by the cabinet did not have telephone or DSL Internet services. Portable generators were taken to charge the batteries at the cabinets on a first-come, first-serve basis. Approximately 90% of Santel's 112 cabinets were affected. Santel's technicians moved 13 existing generators from site to site and added 34 more generators over the next week. Approximately 2,000 of Santel's customers were affected with telephone and DSL outages ranging from 1 to 10 days. To prepare for a similar situation in the future, Santel

has added numerous portable generators and strengthened standard outage procedures.

Santel has also added alarm & monitoring equipment and software

- Santel was able to provide service to all potential customers that requested service during 2005, and as of December 31, 2005, Santel had no unfulfilled requests for service.
- During 2005, Santel's customer service department received an estimated 45 complaints from consumers through November. In December, due to the catastrophic conditions of the ice storm and power outage, we received an estimated additional 50 complaints from customers. Only 4 of these complaints were received by Santel more formally as written complaints or as complaints that needed to be resolved with the involvement of other Company representatives outside of the customer service department.
- Also attached as "Exhibit C" is a document containing other certifications, including those required under the provisions of ARSD §§ 20:10:32:54(5), 20:10:32:54(6), 20:10:32:54(7) and 20:10:32:54(8).

8. Based on all of the foregoing information, including the information provided on Exhibits A, B and C, Santel requests that this Commission issue an appropriate certification to the FCC and USAC indicating that Santel Communications Cooperative is in compliance with 47 U.S.C. § 254(e) and should receive all federal universal service support determined for distribution to Santel in 2007. In order to ensure that this certification is issued to the FCC prior to October 1, 2006, Santel would further ask the Commission to expedite the process that is initiated based on this filing.

Dated this 26th day of July 2006.

Respectfully submitted,

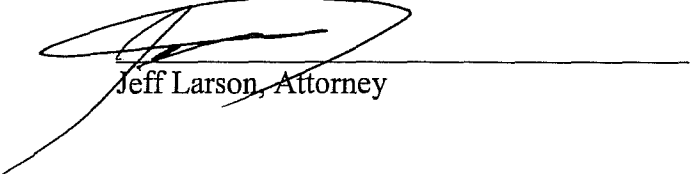

Jeff Larson, Attorney

Exhibit A

EXHIBIT A
Santel Communications Cooperative

Year 2005 Federal Universal Service Receipts:

High Cost Loop Support	\$ 1,396,392
Local Switching Support	\$ 424,224
Safety Net Additive support	\$ 69,948
Safety Valve Loop Cost Adjustment	\$ <u>0</u>
TOTAL	\$ 1,890,564

Expenditures For Provision, Maintenance, and Upgrading Of Facilities and Services Supported By Federal Universal Service Funding:

	Actual <u>2005</u>	Estimated <u>2007</u>
Plant Specific Operations Expenses		
Network support (Accts 6110-16)	\$ 4,105	\$ 6,000
General support (Accts 6120-24)	\$ 239,258	\$ 270,000
Central office (Accts 6210-6232)	\$ 568,991	\$ 535,000
Cable and wire facilities (Accts 6410-41)	\$ 199,501	\$ 210,000
Network operations (Accts 6530-35)	\$ 243,798	\$ 250,000
Depreciation and amortization (Accts 6560-65)	\$3,097,829	\$3,350,000
Customer Operations Expenses		
Customer services (Accts 6620-23)	\$ 559,228	\$ 565,000
Corporate Operations Expenses		
Executive and planning (Accts 6710-12)	\$ 208,298	\$ 260,000
General and administrative (Accts 6720-28)	\$ 491,821	\$ 510,000
Total Years Supported Expenses, Before Return on Investment	\$5,612,829	\$5,956,000
Additions		
Switching (Acct 2210)	\$ 178,472	(See Exhibit B,
Cable and wire (Acct 2410)	\$1,732,949	Two-Year Plan)
Total	\$1,911,421	
Total Supported Expenditures, Before Return on Investment	\$7,524,250	

Exhibit B

EXHIBIT B - TWO-YEAR PLAN

ARSD 20:10:32:43.02

As part of its ongoing plan to upgrade and enhance its network, during 2007 Santel will be working to finish its previous years' buried plant projects (which has totaled over \$6 million in the last 3 years). During the 2007 construction year, we are planning a central office addition for our Mt. Vernon remote, as well as some air core cable replacements in the Ethan and Letcher exchanges. In 2008, we are planning to replace our current central office switch with a Softswitch. This Softswitch will be installed at the Woonsocket central office but will serve all ten exchanges. We also plan to expand our sonet ring. Santel believes that its planned capital additions will improve the reliability of switched calls for its customers, assure CALEA compliance and increase Santel's network capacity to serve remote customers. The upgraded facilities will also be more cost-effective for Santel to maintain. Any federal high-cost universal service support Santel receives will help defray the following estimated costs for plant improvements and upgrades.

Wire Center	Description of Capital Improvement	Estimated Population Served by Improvement	Start Date	Completion Date	Estimated Capital Expenditures Each Year	
					2007	2008
Mt. Vernon	CO addition	5000	June 2007	Oct 2007	\$75,000	
Letcher	Cable upgrades	50	July 2007	Oct 2007	\$25,000	
Ethan	Cable upgrades	50	July 2007	Oct 2007	\$25,000	
Woonsocket	Softswitch	5000	Sept 2008	Dec 2008		\$100,000
Ethan	Expand sonet ring	355	Apr 2008	Dec 2008		\$10,500
Parkston	Expand sonet ring	1360	Apr 2008	Dec 2008		\$11,500
Tripp	Expand sonet ring	550	Apr 2008	Dec 2008		\$8,500
Mt. Vernon	Expand sonet ring	380	Apr 2008	Dec 2008		\$11,000
Artesian	Expand sonet ring	275	Apr 2008	Dec 2008		\$7,500
Wolsey	Expand sonet ring	410	Apr 2008	Dec 2008		\$6,000
Woonsocket	Expand sonet ring	665	Apr 2008	Dec 2008		\$10,500
Alpena	Expand sonet ring	270	Apr 2008	Dec 2008		\$5,500
					\$125,000	\$171,000

No capital improvements are planned in the following wire centers but nonetheless may be necessary in connection with the provision of service to new customers.

Wire Center
Forestburg

Exhibit C

EXHIBIT C - AFFIDAVIT

STATE OF SOUTH DAKOTA)
) ss.
COUNTY OF SANBORN)

1. I am the General Manager of Santel Communications Cooperative and am authorized to give this affidavit on behalf of Santel. This affidavit is provided to support Santel's Request for Certification to the South Dakota Public Utilities Commission as contemplated in 47 C.F.R. § 54.314.

2. As an authorized representative of Santel, I hereby affirm familiarity with and an understanding of the requirements of the Federal Communications Act of 1934, as amended by the Telecommunications Act of 1996, with respect to the receipt of any federal universal service funds received as high-cost loop support, local switching support, safety net additive support and/or safety valve support.

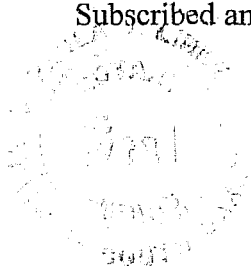
3. During 2005, Santel received federal universal service support as shown on Exhibit A to this affidavit and had investment and expenses relating to the provision, maintenance and upgrading of facilities and services for which such support was intended as also shown on Exhibit A. During 2005, Santel used the federal universal service support it received only for the provision, maintenance and upgrading of facilities and services for which the support was intended consistent with 47 U.S.C. § 254(e).

4. Santel will use the federal universal service support it receives during 2007 only for the provision, maintenance and upgrading of facilities and services for which the support is intended consistent with 47 U.S.C. § 254(e).

5. Santel (i) is in compliance with applicable service quality and consumer protection rules; (ii) is able to function in emergency situations; and (iii) provides equal access to long distance carriers.

Benn Kroell
General Manager

Subscribed and Sworn to before me this 26 day of July 2006.



Paula J Link
NOTARY PUBLIC

My Commission Expires: April 14, 2007