



TC06-109

RECEIVED

JUL 31 2006

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

July 27, 2006

South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Pierre, SD 57501-5070

RE: Request for Certification of Federal Universal Support

To Whom It May Concern:

Please find enclosed the original and ten copies of the required annual Request for Certification of Federal Universal Support to be filed on behalf of Hills Telephone Company, Inc.

If you have any questions regarding the enclosed, please feel free to contact me at (605)594-8228.

Respectfully,

A handwritten signature in cursive script that reads "Kari J. Flanagan".

Kari J. Flanagan  
Accounting Manager

Encl

erk/KJF

*Speak and you'll be heard.*

RECEIVED  
JUL 31 2006

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

**IN THE MATTER OF THE REQUEST OF )  
HILLS TELEPHONE COMPANY, INC. ) ANNUAL ETC CERTIFICATION  
FOR CERTIFICATION REGARDING ITS ) FILING AND SUBMITTAL  
USE OF FEDERAL UNIVERSAL ) PURSUANT TO ARSD § 20:10:32:53  
SERVICE SUPPORT. )**

Hills Telephone Company, Inc. (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, the Company 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. The Company is a rural telephone company that has previously been designated by this Commission as an ETC. The Company provides local exchange telephone services, including all of the essential services that are included in the federal definition of universal service, to approximately 470 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, the Company is committed to providing service throughout its existing rural service area, or study area, to all customers making a reasonable request for service. The Company has since 2005 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, the Company 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, the Company 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 the Company’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. The Company has the ability to remain functional in emergency situations as required by the provisions of ARSD § 20:10:32:43.03. The Company 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 the Company. This same Exhibit also shows total expenditures of the Company 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, the Company 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 the Company 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:

- The Company'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, the Company upgrades and replaces facilities and equipment as necessary. In furtherance of its service quality improvement plan, the Company 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. The Company's "two-year service quality improvement plan," required under the provisions of ARSD 20:10:32:54, is attached hereto as "Exhibit B."

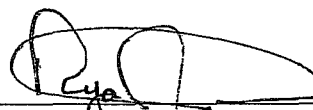
- During calendar year 2005, the Company experienced no service outages affecting at least 10 percent of its end user customers, for a period lasting longer than 30 minutes.
- The Company was able to provide service to all potential customers that requested service during 2005, and as of December 31, 2005, the Company had no unfulfilled requests for service.
- During 2005, the Company's customer service department received an estimated five complaints from consumers. Only one of these complaints were received by the Company 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, the Company requests that this Commission issue an appropriate

certification to the FCC and USAC indicating that Hills Telephone Company, Inc. is in compliance with 47 U.S.C. § 254(e) and should receive all federal universal service support determined for distribution to the Company in 2007. In order to ensure that this certification is issued to the FCC prior to October 1, 2006, the Company would further ask the Commission to expedite the process that is initiated based on this filing.

Dated this 27th day of July, \_\_\_\_\_ 2006.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "R. J. ...", written over a horizontal line.

Attorney for the Company

**Exhibit A****EXHIBIT A**  
**Hills Telephone Company, Inc.****Year 2005 Federal Universal Service Receipts:**

High Cost Loop Support	\$	25,554
Local Switching Support	\$	17,928
Safety Net Additive support	\$	0
Safety Valve Loop Cost Adjustment	\$	0
<b>TOTAL</b>	\$	<b>43,482</b>

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

	Actual <u>2005</u>	Estimated <u>2007</u>
<b>Plant Specific Operations Expenses</b>		
Network support (Accts 6110-16)	\$ 0.00	\$ 0.00
General support (Accts 6120-24)	\$ 4,076.85	\$ 8,750.00
Central office (Accts 6210-6232)	\$ 5,458.64	\$ 11,250.00
Cable and wire facilities (Accts 6410-41)	\$ 8,912.75	\$ 22,500.00
Network operations (Accts 6530-35)	\$ 2,845.71	\$ 6,525.00
Depreciation and amortization (Accts 6560-65)	\$ 29,177.75	\$ 58,750.00
<b>Customer Operations Expenses</b>		
Customer services (Accts 6620-23)	\$ 8,305.65	\$ 18,850.00
<b>Corporate Operations Expenses</b>		
Executive and planning (Accts 6710-12)	\$ 3,401.89	\$ 7,250.00
General and administrative (Accts 6720-28)	\$ 8,627.07	\$ 17,500.00
<b>Total Years Supported Expenses, Before Return on Investment</b>	\$ 70,806.31	\$ 151,375.00
<b>Additions</b>		
Switching (Acct 2210)	\$ 201,622.89	<i>(See Exhibit B,</i>
Cable and wire (Acct 2410)	\$ 510,342.02	<i>Two-Year Plan)</i>
<b>Total</b>	\$ 711,964.91	
<b>Total Supported Expenditures, Before Return on Investment</b>	\$ 782,771.22	

**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, the Company anticipates the following capital expenditures over the next two years. The Company believes that its planned capital additions will improve the reliability of switched calls for its customers, assure CALEA compliance and increase the Company's network capacity to serve remote customers. The upgraded facilities will also be more cost-effective for the Company to maintain. Any federal high-cost universal service support the Company 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
Valley Spgs	Fiber to the Home	346	09/06	04/08	\$ 750,000	\$ 500,000
					\$	\$
					\$	\$

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
N/A



Exhibit C

EXHIBIT C - AFFIDAVIT

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

1. I am the General Manager of Hills Telephone Company, Inc. and am authorized to give this affidavit on behalf of the Company. This affidavit is provided to support the Company'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 the Company, 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, the Company 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, the Company 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. The Company 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. The Company (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.

[Handwritten Signature]
General Manager

Subscribed and Sworn to before me this 27th day of July, 2006.

[Handwritten Signature: Edith R Karli]
NOTARY PUBLIC

My Commission Expires: 6/26/2012