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April 2, 2004

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 MEREDITH A. MOORE  
 DAVID L. EDWARDS  
 TORREY D. SUNDALL

JEAN BROCKMUELLER, CPA (Inactive)  
 BUSINESS MANAGER

\* Also licensed to practice  
 in Minnesota

\*\* Also licensed to practice  
 in Minnesota and Iowa

† Also licensed to practice  
 in Nebraska

†† Also licensed to practice  
 in Minnesota and Missouri

\*† Also licensed as a Certified  
 Public Accountant

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

RECEIVED

APR 05 2004

SOUTH DAKOTA PUBLIC  
 UTILITIES COMMISSION

Re: *Hills Telephone Company, Inc.*  
*Our File No. 280.21*

To Whom It May Concern:

Enclosed please find an original and ten (10) true and correct copies of the Application for Grant of Certificate of Authority to Provide Local Exchange Services in South Dakota in regard to the above entity. I would appreciate it if you would file the same. Also enclosed is the original Proof of Service for filing.

I have also enclosed a copy of the Application which I would appreciate it if your office would date stamp the same with the date of filing. A self-addressed, stamped envelope is enclosed for you to return the date stamped copy to my office.

If you have any questions regarding this Application, please feel free to contact me at your convenience at (605) 335-4989. I will be happy to provide whatever details you may require. Thank you for your assistance and consideration in this matter. It is greatly appreciated.

Sincerely,

CUTLER & DONAHOE, LLP



Ryan J. Taylor  
 For the Firm

RJT:jak

Enclosures

cc: Don Snyders (w/enclosure)

APR 05 2004

BEFORE THE SOUTH DAKOTA  
PUBLIC UTILITIES COMMISSION

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION  
OF HILLS TELEPHONE COMPANY, INC.  
FOR A CERTIFICATE OF AUTHORITY  
TO PROVIDE LOCAL EXCHANGE  
SERVICES IN SOUTH DAKOTA

DOCKET NO. \_\_\_\_\_

APPLICATION FOR GRANT OF  
CERTIFICATE OF AUTHORITY TO  
PROVIDE LOCAL EXCHANGE  
SERVICES IN SOUTH DAKOTA

COMES NOW, the Applicant, Hills Telephone Company, Inc. ("Hills") by and through its undersigned counsel, and requests that the South Dakota Public Utilities Commission (the "Commission") approve the grant of a Certificate of Authority pursuant to the provisions of SDCL § 49-31-71 and A.R.S.D. Chapter 20:10:32 to Hills to provide local telephone exchange services in the Valley Springs and North Larchwood, South Dakota local telephone exchanges as depicted on Exhibit A attached hereto and incorporated herein by this reference (the "Exchanges"). Hills has entered into an Agreement For the Purchase and Sale of Telephone Exchange, dated as of January 16, 2004 (the "Purchase Agreement"), with Sioux Valley Telephone Company ("Sioux Valley") for the acquisition of these Exchanges. Hills and Sioux Valley have jointly requested the Commission's consent to and approval of that transaction in Docket # TC04-040.

IN SUPPORT THEREOF, Applicant does state and declare as follows:

1. Hills is a Minnesota corporation and a wholly-owned subsidiary of Alliance Communications Cooperative, Inc., having the following address and contact information:

Hills Telephone Company, Inc.  
Attn: Don Snyders, General Manager  
P.O. Box 349  
Garretson, SD 57030  
Telephone: (605) 594-3411  
Facsimile: (605) 594-6776  
Email: [don@alliancecom.net](mailto:don@alliancecom.net)

2. The names and addresses of each of the corporate officers and directors of Hills are as follows:

**OFFICERS**

Army Erickson, President  
48494 260<sup>th</sup> Street  
Valley Springs, SD 57068

Vince Hanson, Vice President  
25483 469<sup>th</sup> Avenue  
Crooks, SD 57020

Duane Rippentrop, Secretary/Treasurer  
1205 E. Lark Drive  
Brandon, SD 57005

Don Snyders, General Manager  
P.O. Box 349  
Garretson, SD 57030

**DIRECTORS**

Todd Dawley  
48530 263<sup>rd</sup> Street  
Valley Springs, SD 57068

Alan Eitreim  
P.O. Box 72  
Garretson, SD 57030

Army Erickson  
48494 260<sup>th</sup> Street  
Valley Springs, SD 57068

Jeff Haagenson  
47197 253rd Street  
Baltic, SD 57003

Linda Hansen  
48655 253<sup>rd</sup> Street  
Garretson, SD 57030

Vince Hanson  
25483 469<sup>th</sup> Avenue  
Crooks, SD 57020

Steve Howe  
24884 484<sup>th</sup> Avenue  
Garretson, SD 57030

Terry Johnson  
100 South Leslie Drive  
Garretson, SD 57030

Darryll Larson  
46940 257<sup>th</sup> Street  
Crooks, SD 57020

Duane Rippentrop  
1205 E. Lark Drive  
Brandon, SD 57005

Gary Scott  
309 N. Dakota Street  
Alcester, SD 57001

Bruce Vollan  
25547 Rock Ridge Avenue  
Renner, SD 57055

Bob Vosburg  
47339 256<sup>th</sup> Street  
Renner, SD 57055

Lois Wuestewald  
P.O. Box 84  
221 First Avenue  
Lyons, SD 57041-0084

3. Hills will provide local exchange services in the Exchanges under the fictitious name "Alliance Communications."

4. The principal office of Hills within the State of South Dakota is located at 612 3<sup>rd</sup> Street, Garretson, South Dakota 57030, and the name of the registered agent of Hills at such address is Don Snyders.

5. The sole shareholder of Hills is Alliance Communications Cooperative, Inc., a South Dakota corporation having the same registered address as Hills.

6. Hills was incorporated under the laws of the State of Minnesota on May 16, 1957. A Certificate of Incorporation issued by the Secretary of State of the State of Minnesota is attached hereto as Exhibit B and is incorporated herein by this reference.

7. Hills was duly authorized by the Secretary of State of the State of South Dakota to transact business within the State of South Dakota on November 4, 1960. A Certificate of Good Standing issued by the Secretary of State of the State of South Dakota is attached hereto as Exhibit C and is incorporated herein by this reference.

8. Hills is presently authorized to provide local telephone exchange services in the States of Minnesota and Iowa, where Hills presently serves 631 and 2,123 access lines, respectively, for a total of 2,754 access lines. Hills was granted a certificate of territorial authority to provide local exchange service by the Minnesota Public Utilities Commission on May 21, 1965 in Docket CTA 65-2. Certificates of Authority were first required in the State of Iowa in 1992. On September 29, 1992 the Iowa Utilities Board granted Certificate of Authority #0065 to Hills.

9. The parent corporation of Hills is Alliance Communications Cooperative, Inc., which holds one hundred percent (100%) of the issued and outstanding shares of stock of all classes of Hills. Hills is affiliated with Splitrock Properties, Inc., which is another wholly-owned subsidiary of Alliance Communications Cooperative, Inc. The operations of Alliance Communications Cooperative, Inc. and Splitrock Properties, Inc. are more fully described in Paragraph 28 of this Application. Both Alliance Communications Cooperative, Inc. and Splitrock Properties, Inc. have the following address and contact information:

P.O. Box 349  
Garretson, SD 57030  
Telephone: (605) 594-3411  
Facsimile: (605) 594-6776

10. Hills Telephone will serve all the customers that are currently being served by Sioux Valley Telephone which are located or will be located within the exchange boundaries of the Valley Springs Exchange and North Larchwood Exchange.

11. The purchase of the Valley Springs Exchange and North Larchwood Exchange are asset purchases, therefore all the existing telephone facilities will be utilized in providing local exchange services.

12. Hills Telephone seeks authority to provide all the services currently being provided in the Valley Springs exchange by Sioux Valley Telephone per the Sioux Valley Tariff currently on file with the PUC.

13. Hills proposes to provide local telephone exchange services in the Valley Springs and North Larchwood Exchanges in South Dakota, as depicted on Exhibit A to this Application. In addition to the Valley Springs and North Larchwood Exchanges, Hills is also acquiring the East Valley Springs Exchange from Sioux Valley. The East Valley Springs Exchange is located entirely within the State of Minnesota. Hills has requested that its Certificate of Authority in Minnesota be amended to permit it to offer local exchange services in the East Valley Springs Exchange.

14. Information regarding the technical competence of Hills and the education and experience of Hills' management personnel is attached hereto as Exhibit D and incorporated herein by this reference.

15. Hills is a wholly-owned subsidiary company of Alliance Communications Cooperative, Inc. Alliance Communications Cooperative, Inc. has been providing quality

telephone services to its customers in South Dakota for the past 47 years. The customers of Valley Springs Exchange and North Larchwood Exchange will receive this same quality of service regarding customer complaints, inquiries and maintenance issues.

16. Prior to providing local exchange services in the Exchanges, Hills will acquire all of the existing equipment used by Sioux Valley in the operation of the central office for the Exchanges and will provide enhanced 911, operator services, interexchange services, directory assistance, and telecommunications relay services in the exact same manner as Sioux Valley currently provides those services.

17. Attached hereto as Exhibit E is a copy of the audited financial statements of Hills Telephone Company, Inc., for the twelve-month periods ended as of September 30, 2003 and 2002.

18. Hills proposes to offer its local exchange services in accordance with the prices, terms, and conditions set forth in the South Dakota Telecommunications Tariff for Hills Telephone Company, Inc. attached hereto as Exhibit F and incorporated herein by this reference.

19. Following the grant of a Certificate of Authority by this Commission, Hills intends to petition the Commission pursuant to the provisions of A.R.S.D. 20:10:27:11 for exemption from developing company-specific cost-based switched access rates. Hills will request this exemption in accordance with A.R.S.D. 20:10:27:11 and based on the fact that the additional costs of completing an intrastate switched access cost study for its small number of South Dakota access lines will outweigh any benefit to the consumer or customer. In addition, Hills will initially be unable to prepare a South Dakota intrastate switched access cost study due



to the requirements of A.R.S.D. Chapters 20:10:27, 20:10:28, and 20:10:29 that a switched access cost study be based on a test period of 12 months of historical data.

In this subsequent proceeding, Hills will request authorization to file its initial Intrastate Switched Access rates in accordance with the provisions of A.R.S.D. 20:10:27:12. Under this provision, Hills, like Armour Independent Telephone Company, Faith Municipal Telephone, Jefferson Telephone and Kadoka Telephone Company, proposes to base its Intrastate Switched Access rates on the costs of all other telecommunications companies with less than 100,000 access lines that file a cost study in accordance with A.R.S.D. Chapters 20:10:28 and 20:10:29. In other words, the initial SD intrastate switched access rates of Hills will be based on the average intrastate switched access revenue requirement per minute for all telephone companies in South Dakota that file an intrastate switched access cost study with the Commission, except Qwest.

20. Hills is acquiring all of the existing local exchange subscribers of Sioux Valley in the Exchanges. Hills will continue to offer local exchange services to all persons residing within the boundaries of the Exchanges. Hills will market its services under the tradename "Alliance Communications." Hills will also offer the long distance services of Express Communications, LLC under the tradename "Alliance Long Distance."

21. Hills will meet the requirements for a rural telephone company set forth in A.R.S.D. § 20:10:32:15 at the time of the closing of the transactions set forth in the Purchase Agreement.

22. Hills is presently certified to provide local exchange services in the State of Minnesota and Iowa. Hills has never been denied certification as a provider of local exchange services in any state. Hills is in good standing with both the Minnesota Public Utilities Commission and the Iowa Utilities Board, as well as the Secretaries of State of Minnesota, Iowa, and South Dakota.

23. Any inquiries regarding customer complaints received in regard to Hills should be directed to the following person at the following address:

Don Snyders  
General Manager  
Hills Telephone Company, Inc.  
P.O. Box 349  
Garretson, SD 57030-0349  
Telephone: (605) 594-3411  
Facsimile: (605) 594-6776  
Email: [don@alliancecom.net](mailto:don@alliancecom.net)

24. Hills intends to bill its customers on a monthly basis. All local access charges, taxes and fees will be billed in the month during which such services are provided. Long distance toll services will be billed one month in arrears.

25. Sioux Valley is currently the only entity providing local exchange services in the Exchanges. Hills intends to purchase all of the existing local exchange service customers and the right to provide local exchange services in the Exchanges from Sioux Valley. As such, there will be no switching of local service customers by Hills, its employees, or agents.

26. No complaints have ever been filed against Hills with any state or federal commission regarding the unauthorized switching of a customer's telecommunications provider or the act of charging customers for services that have not been ordered.

27. The federal taxpayer identification number for Hills is 46-0811214.

28. Hills is under common administration with Alliance Communications Cooperative, Inc., and Splitrock Properties, Inc. Alliance Communications Cooperative, Inc. presently operates six local telephone exchanges serving approximately 8,439 access lines of which approximately 8,313 are located in the State of South Dakota. Splitrock Properties, Inc. presently operates two local telephone exchanges having a total of approximately 1,512 access lines in the State of South Dakota. Hills, Alliance Communications Cooperative, Inc., and Splitrock Properties, Inc. currently serve a total of approximately 12,705 access lines in South Dakota, Minnesota, and Iowa. The three entities have the same officers, boards of directors, and management teams. All billing and customer service functions for the three entities are performed by the same personnel. All three entities assist each other by responding to each other's service calls. Hills and Alliance currently have four and eighteen service technicians, respectively, that will be available to respond to any service calls in the Exchanges.

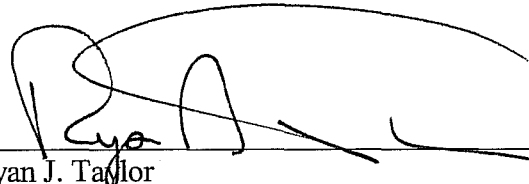
29. The Exchanges are contiguous with Hills' existing Hills, Minnesota Exchange and Alliance Communications Cooperative, Inc.'s Brandon and Garretson, South Dakota Exchanges. The City of Valley Springs, South Dakota is less than five miles from Alliance Communication Cooperative, Inc.'s office in Brandon, South Dakota and approximately twelve miles from the headquarters of both Hills and Alliance Communications Cooperative, Inc. in Garretson, South Dakota.

WHEREFORE, Applicants respectfully request that the Commission grant as follows:

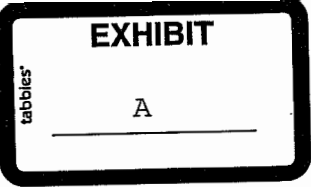
- A. A Certificate of Authority to Hills Telephone Company, Inc., to permit it to provide local telephone exchange service in the Valley Springs Exchange and the North Larchwood Exchange following the consummation of the transactions contemplated in the Purchase Agreement and Commission Docket #TC04-040;
- B. The approval of the Tariff attached hereto as Exhibit F for use by Hills in the Valley Springs Exchange and the North Larchwood Exchange following the consummation of the transactions contemplated in the Purchase Agreement and Commission Docket #TC04-040; and
- C. Such other relief, consents, or authorizations as the Commission deems necessary or appropriate and in the public interest to consummate the transactions described in this Application.

Dated this 2<sup>nd</sup> day of April, 2004.

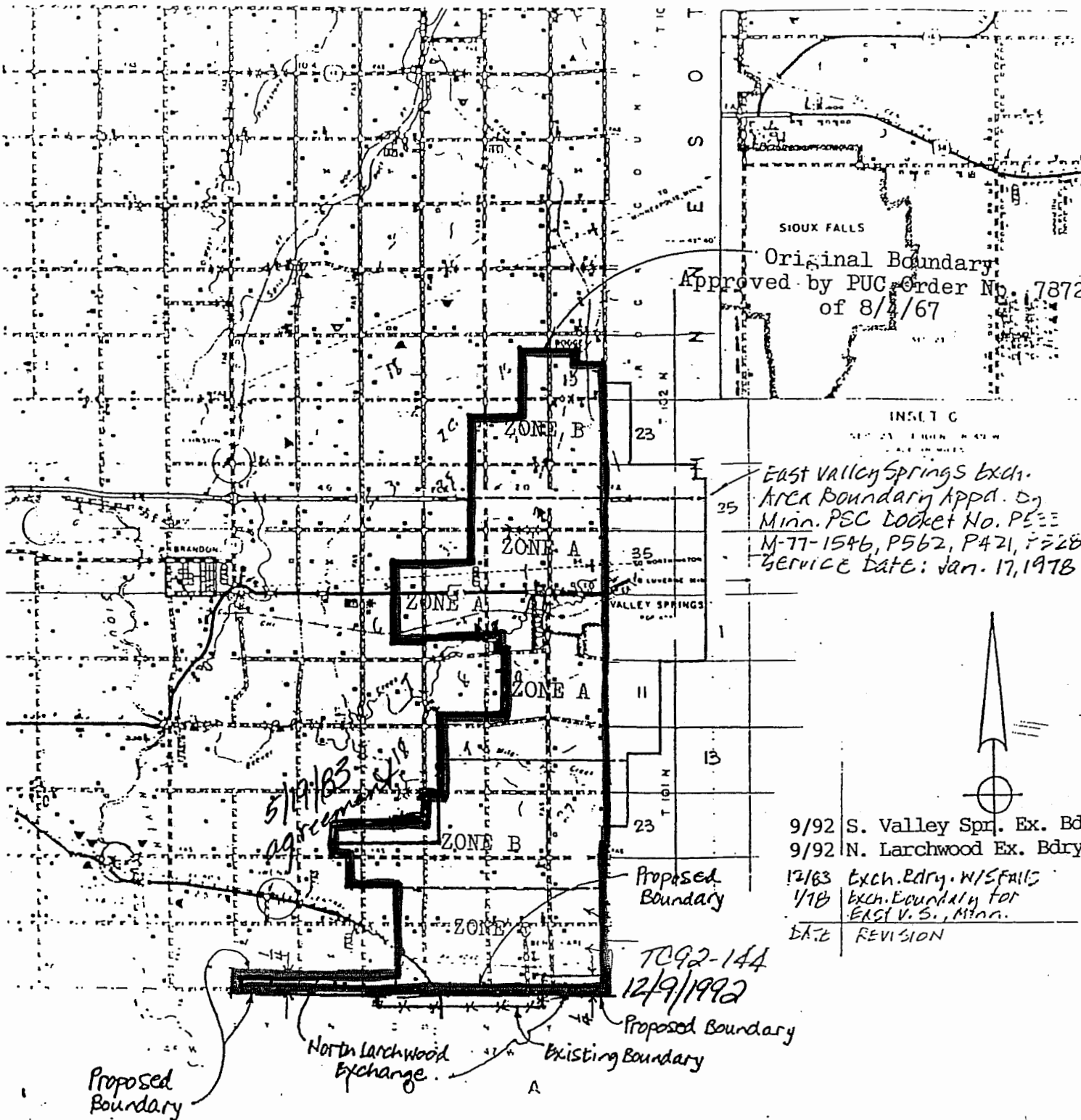
CUTLER & DONAHOE, LLP  
Attorneys at Law



Ryan J. Taylor  
100 N. Phillips Ave., 9th Floor  
Sioux Falls, South Dakota 57104-6725  
Telephone (605) 335-4950  
Facsimile (605) 335-4961  
Attorneys for Applicant Hills Telephone Company,  
Inc.



Cancels Page Issued Dec. 1, 1983



Original Boundary  
Approved by PUC Order No. 7872  
of 8/2/67

INSET C  
East Valley Springs Exch.  
Area Boundary Appd. by  
Minn. PSC Docket No. PE-  
M-77-1546, P562, P421, P528  
Service Date: Jan. 17, 1978

9/92 S. Valley Spr. Ex. Bdry  
9/92 N. Larchwood Ex. Bdry.  
12/83 Exch. Bdry. W/ S FALLS  
1/18 Exch. Boundary for  
EAST V. S., Minn.  
DATE REVISION

EXHIBIT

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To All To Whom These Presents Shall Come, Greeting:

Whereas, Articles of Incorporation, duly signed and acknowledged under oath, have been filed for record in the office of the Secretary of State, on the 15th day of May, A. D. 19 57 for the incorporation of

Hills Telephone Company, Inc.

under and in accordance with the provisions of the Minnesota Business Corporation Act, Minnesota Statutes, Chapter 301;

Now, Therefore, I, Joseph L. Donovan, Secretary of State of the State of Minnesota, by virtue of the powers and duties vested in me by law, do hereby certify that the said

Hills Telephone Company, Inc.

is a legally organized Corporation under the laws of this State.

Witness my official signature hereunto subscribed and the Great Seal of the State of Minnesota hereunto affixed this sixteenth day of May in the year of our Lord one thousand nine hundred and fifty-seven.

*Joseph L. Donovan*  
Secretary of State.

ARTICLES OF INCORPORATION  
OF  
HILLS TELEPHONE COMPANY, INC.

WE, THE UNDERSIGNED, of full age, for the purpose of forming a corporation under and pursuant to the provisions of Chapter 300 of the Laws of Minnesota, 1933, known as the Minnesota Business Corporation Act, and laws amendatory thereof and supplementary thereto, do hereby associate ourselves as a body corporate and adopt the following Articles of Incorporation:

ARTICLE I.

The name of this corporation is Hills Telephone Company, Inc.

ARTICLE II.

The purpose for which this corporation is organized, and the general nature of its business, shall be the building, buying, leasing, selling, owning, managing and operating telephone lines, connections, systems and exchanges, and other businesses essential thereto, including the purchasing, improving, leasing, mortgaging, exchanging and selling of real estate and personal property.

ARTICLE III.

The duration of this corporation shall be perpetual.

ARTICLE IV.

The location and post office address of the registered office in this State is Hills, Rock County, Minnesota.

ARTICLE V.

The amount of stated capital with which this corporation will begin business is in excess of One Thousand and no/100 (\$1,000.00) Dollars.

ARTICLE VI.

The total authorized number of shares of par value is two hundred (200) and the par value of each share is One hundred and no/100 (\$100.00) Dollars. All such shares shall be designated as common stock and shall have equal voting power and rights. If any holder of any share of the common stock of this corporation desires to dispose of the same, or any part thereof, he shall not transfer the same until delivery of the shares to the proper officer and shall

he has first complied with the provisions with reference to such transfer as set forth in the By-laws of the corporation on file with the Secretary of the corporation and available for inspection at the principal office of the corporation during business hours.

ARTICLE VII.

Authority is hereby vested in the first Board of Directors to adopt By-laws for the conduct of the affairs of this corporation, but any further additions or amendments thereto shall be by authority of the shareholders given at any regular meeting or special meeting called for that purpose. The By-laws may be amended at any annual meeting without notice of such proposed amendment to the shareholders, but, however, By-laws are to be amended at any special meeting of the shareholders, then, in that event, notice of such proposed amendment, including a general statement of the suggested changes, shall be given to each shareholder.

ARTICLE VIII.

The corporation may make and issue debenture bonds whether secured by mortgage or otherwise without limit as to amount, but if secured such bonds shall be secured only by real estate the corporation may own from time to time and such debentures may be in such form and contain such provisions as the Board of Directors may prescribe.

ARTICLE IX.

The names and post office addresses of the incorporators

- Sidney W. Hermon, Hills, Minnesota;
- Olava M. Lommer, Hills, Minnesota;
- Donald C. Peyton, Hills, Minnesota.

ARTICLE X.

This is hereby certified to be the address and name of each of the incorporators.

- Sidney W. Hermon, Hills, Minnesota;
- Olava M. Lommer, Hills, Minnesota;
- Donald C. Peyton, Hills, Minnesota.



In testimony whereof, we have hereunto set our hands and  
subscribed our names this 17th day of May, 1934.

In presence of:

*[Signature]*

*[Signature]*  
Notary Public

*[Signature]*

*[Signature]*  
Notary Public

*[Signature]*  
Notary Public

State of Minnesota,  
County of Rock, ss.

On this 17th day of May, 1934, personally appeared before  
me HENRY R. HAMMER, OLGA M. HAMMER, and DONALD C. BOYSEN, to me  
known to be the persons named in and who executed the foregoing  
Articles of Incorporation, and each acknowledged this to be his own  
free act and deed for the uses and purposes therein expressed.

*[Signature]*

(NOTARY SEAL)

A. E. JOHNSON  
Notary Public, Rock County, Minn.  
My Commission Expires May 22, 1941

STATE OF MINNESOTA  
Department of State  
I hereby certify that the within  
instrument was filed for record in this  
office on the 17th day of May  
A. D. 1934 at 1:00 clock P. M.  
and was duly recorded in Book 5-16  
of Incorporations, on page 219.  
*[Signature]*  
Secretary of State

RECORDED  
INDEXED  
MAY 21 1934  
DEPT. OF STATE



STATE OF MINNESOTA,  
COUNTY OF ROCK, SS.

250

SIDNEY R. HAMMER AND GLENN R. HAMMER, being first duly on oath, depose and say, that they are the President and Secretary-Treasurer respectively of Hills Telephone Company, Inc., the corporation named in the foregoing certificate; that said certificate contains a true statement of the action taken by the shareholders of said corporation at a meeting duly held as aforesaid; that said certificate is executed on behalf of said corporation, but its express authority; and they further acknowledge the same to be their free act and deed and the free act and deed of said corporation.

*Sidney R. Hammer*

*Glenn R. Hammer*

Subscribed and sworn to before me  
this 4th day of February, 1958.

*Roger Jensen*  
Notary Public

ROGER JENSEN  
Notary Public, Rock County, Minn.  
My Commission Expires July 12, 1962

STATE OF MINNESOTA  
DEPARTMENT OF STATE  
I hereby certify that the within instrument was filed to record in my office on the 4th day of February, A.D. 1958, at \_\_\_\_\_ o'clock P.M. and was duly recorded in Book \_\_\_\_\_ of Record, at page \_\_\_\_\_.

RECORDED  
INDEXED  
FILED

CERTIFICATE OF AMENDMENT OF  
ARTICLES OF INCORPORATION OF  
HILLS TELEPHONE COMPANY, INC.

We, the undersigned, the President and Secretary-Treasurer respectively of Hills Telephone Company, Inc., a Corporation subject to the provisions of Chapter 301, Minnesota Statutes 1953, known as the Business Corporation Act, do hereby certify that a special meeting of the shareholders of said Corporation, notice of which was waived in writing by all shareholders entitled to vote held in its office in the Village of Hills, Minnesota, on the 27th day of December, 1976, the resolution hereinafter set forth was adopted by unanimous vote of said shareholders who appeared in person:

BE IT RESOLVED that Article VI of the Articles of Incorporation of Hills Telephone Company, Inc., be and the same are hereby amended to read as follows:

ARTICLE VI

The total authorized number of shares of par value stock is 2,000 and the par value of each share is \$100.00. All such shares shall be designated as common stock and shall have equal voting power and rights. If any holder of any shares of the common stock of this Corporation desires to dispose of the same, or any part thereof, he shall not transfer or otherwise dispose of such shares to any person unless and until he has first complied with the provisions with reference to such transfer as set forth in the By-laws of the Corporation on file with the Secretary of the corporation and available for inspection at the principal office of the Corporation, during business hours.

BE IT FURTHER RESOLVED, that the President and Secretary-Treasurer of this Corporation be, and they are hereby, authorized

and directed to make, execute and acknowledge a certificate embracing the foregoing resolution, and to cause such certificate to be filed for record in the manner required by law.

WITNESS WHEREOF, we have subscribed our names this 27th day of December, 1976.

IN THE PRESENCE OF:  
Loon J. Fournch

HILLS TELEPHONE COMPANY, INC.  
By \_\_\_\_\_  
President

Loon J. Fournch

By \_\_\_\_\_  
Secretary-Treasurer

STATE OF IOWA, EMMET COUNTY, ss:

On this 27<sup>th</sup> day of December, A.D. 1976, before me, the undersigned, a Notary Public in and for the State of Iowa, personally appeared Donald C. Boyesen and Gleva M. Jacobson, to me personally known, who, being by me duly sworn, did say that they are the President and Secretary-Treasurer, respectively, of said corporation executing the within and foregoing instrument, that (no seal has been procured by the said) (the seal affixed thereto is the seal of said) corporation; that said instrument was signed (and sealed) on behalf of said corporation by authority of its Board of Directors; and that the said Donald C. Boyesen and Gleva M. Jacobson as such officers acknowledged the execution of said instrument to be the voluntary act and deed of said corporation, by it and by them voluntarily executed.

Loon J. Fournch

Notary Public in and for the State of



STATE OF MINNESOTA  
 DEPARTMENT OF STATE  
 I hereby certify that the within instrument was filed for record in this office on the 23 day of Feb A. D. 1977, at 8 o'clock P. M., and was duly recorded in Book 46-46 of Incorporations, on page 574

Joan Anderson  
 Secretary of State

S-304



Notice of Change of Registered Office-Registered Agent or Both  
by

Name of Corporation  
**HILLS TELEPHONE COMPANY, INC.**

Pursuant to Minnesota Statutes, Section 302A.123, the undersigned hereby certifies that the Board of Directors of the above named Minnesota Corporation has resolved to change the corporation's registered office or agent:

Note: The 'from' address must be the registered office address as shown in item # 2 on the rejection notice label.

FROM	Agent's Name	(Fill in this box only if you already have an agent. Do not list the corporate name in this box.)			
	Address (No. & Street)				
	City	County	MN	Zip	
		<b>HILLS</b>			

TO	Agent's Name				
	Address (No. & Street)	(You may not list a P.O. Box, but you may list a rural route and box number.)			
	City	County	MN	Zip	
		<b>ADA</b>	<b>NORMAN</b>		<b>56510</b>

The new address may not be a post office box. It must be a street address, pursuant to Minnesota Statutes, Section 302A.011, Subd. 3.

This change is effective on the day it is filed with the Secretary of State, unless you indicate another date, no later than 30 days after filing with the Secretary of State, in this box: \_\_\_\_\_

I certify that I am authorized to execute this certificate and I further certify that I understand that by signing this certificate I am subject to the penalties of perjury as set forth in section 609.48 as if I had signed this certificate under oath.

Name of Officer or Other Authorized Agent of Corporation	Signature
<b>KENNETH P. ELLERSON</b>	<i>K.P. Ellerson</i>
Title or Office	Date
<b>PRESIDENT</b>	<b>SEPTEMBER 26, 1988</b>

Do not write below this line. For Secretary of State's use only.

Receipt Number	File Date	D.A.R.
<b>216417</b>		
FILING FEE: \$25.00	STATE OF MINNESOTA DEPARTMENT OF STATE FILED <b>OCT 14 1988</b> <i>Jan Andrew Stone</i> Secretary of State	
Return To: Corporation Division Office of the Secretary of State 180 State Office Building St. Paul, MN 55155		
SC 00014-06		

5-304

STATE OF MINNESOTA  
 OFFICE OF THE SECRETARY OF STATE  
 ARTICLES OF AMENDMENT  
 OF  
 HILLS TELEPHONE COMPANY, INC.

Pursuant to the provisions of Minnesota Statutes Section 302A.135, the following amendment to the Articles of Incorporation of Hills Telephone Company, Inc., a Minnesota corporation, was unanimously approved by the Board of Directors and was approved and adopted by the sole shareholder by written action, effective December 30, 1988, signed by all of the directors and by the sole shareholder entitled to vote.

The Articles of Incorporation of Hills Telephone Company, Inc. are hereby restated in their entirety to read as follows:

**ARTICLE I.  
 NAME AND REGISTERED OFFICE**

1.01 Name. The name of this Corporation is Hills Telephone Company, Inc.

1.02 Registered Office. The registered office of this Corporation is located at 13 East Fourth Avenue, City of Ada, County of Norman, State of Minnesota, 56510.

**ARTICLE II.  
 SHARES AND SHAREHOLDERS**

2.01 Number of Shares. The aggregate number of shares of capital stock which this Corporation shall have the authority to issue is 2,000 shares, each with a par value of \$100.00.

2.02 Classes of Shares. The Board of Directors may, from time to time, establish by resolution different classes or series of shares and may fix the rights and preferences of said shares in any class or series.

2.03 Issuance of Shares. The Board of Directors shall have the authority to issue shares of a class or series to holders of shares of another class or series to effectuate share dividends, splits, or conversion of its outstanding shares.

2.04 Preemptive Rights. No shareholder of the Corporation shall have any preemptive rights to subscribe for or purchase his or her proportionate share of any stock of the Corporation, now or hereafter authorized or issued.

2.05 Cumulative Voting. No shareholder shall have the right to cumulate his or her votes in the election of directors or for any other purpose whatsoever.

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ARTICLE III.  
WRITTEN ACTION

2985

Any action, other than an action requiring shareholder approval, required or permitted to be taken at a meeting of the Board of Directors of this Corporation may be taken by written action signed by the number of directors required to take the same action at a meeting of the Board of Directors at which all directors were present. Any action requiring shareholder approval required or permitted to be taken at a meeting of the Board of Directors of this Corporation may be taken by written action signed by all of the directors.

ARTICLE IV.  
LIMITATION ON DIRECTORS LIABILITY

A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for (i) liability based on a breach of the duty of loyalty to the Corporation or the shareholders; (ii) liability for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) liability based on the payment of an improper dividend or an improper repurchase of the Corporation's stock under Section 559 of the Minnesota Business Corporation Act (Minnesota Statutes, Chapter 302A) or on violations of federal or state securities laws; (iv) liability for any transaction from which the director derived an improper personal benefit; or (v) liability for any act or omission occurring prior to the date this Article IV becomes effective. If Chapter 302A, the Minnesota Business Corporation Act, hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended Chapter 302A, the Minnesota Business Corporation Act. Any repeal or modification of this Article by the shareholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification. The provisions of this Article IV shall not be deemed to limit or preclude indemnification of a director by this Corporation for any liability of a director which has not been eliminated by the provisions of this Article IV.

The foregoing restated Articles of Incorporation supersede the original Articles and all amendments to them.

I swear that the foregoing is true and accurate and that I have authority to sign these Articles of Amendment on behalf of the Corporation.

HILLS TELEPHONE COMPANY, INC.

Dated: February 6, 1989.

By Kenneth P. Ellefson  
Kenneth P. Ellefson  
Its President

STATE OF MINNESOTA  
DEPARTMENT OF STATE  
FILED

FEB 16 1989

James Anderson  
Secretary of State





**MINNESOTA SECRETARY OF STATE  
NOTICE OF CHANGE OF REGISTERED OFFICE/  
REGISTERED AGENT**



DC-RO

Please read the instructions on the back before completing this form.

1. Entity Name:

Hills Telephone Company, Inc.

2. Registered Office Address (No. & Street): List a complete street address or rural route and rural route box number.  
A post office box is not acceptable.

206 South Main Street	Hills	MN	56138
Street	City	State	Zip Code

3. Registered Agent (Registered agents are required for foreign entities but optional for Minnesota entities):

Allan Top

If you do not wish to designate an agent, you must list "NONE" in this box. **DO NOT LIST THE ENTITY NAME.**

In compliance with Minnesota Statutes, Section 302A.123, 303.10, 308A.025, 317A.123 or 322B.135 I certify that the above listed company has resolved to change the entity's registered office and/or agent as listed above.

I certify that I am authorized to execute this notice and I further certify that I understand that by signing this notice I am subject to the penalties of perjury as set forth in Minnesota Statutes Section 609.48 as if I had signed this notice under oath.

Signature of Authorized Person

Name and Telephone Number of a Contact Person: Don Snyder (605) 594-3411

Filing Fee: For Profit Minnesota Corporations, Cooperatives and Limited Liability Companies: \$35.00.

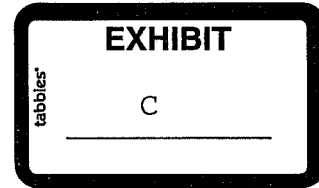
Minnesota Nonprofit Corporations: No \$35.00 fee is due unless you are adding or removing an agent.

Non-Minnesota Corporations: \$50.00.

Make checks payable to Secretary of State  
Return to: Minnesota Secretary of State  
180 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1299  
(651) 296-2803

STATE OF MINNESOTA  
DEPARTMENT OF STATE  
FILED  
JUL 29 2003  
Secretary of State

# State of South Dakota



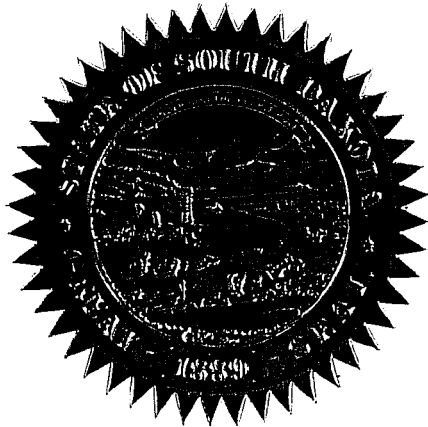
## OFFICE OF THE SECRETARY OF STATE

### Certificate of Fact

ORGANIZATIONAL ID #: FM000001

I, **Chris Nelson**, Secretary of State of the State of South Dakota, do hereby certify that **HILLS TELEPHONE COMPANY, INC.** was filed with our office on **November 4, 1960** and is still on the active list and has not filed for dissolution with our office.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this March 9, 2004.



*Chris Nelson*

Chris Nelson  
Secretary of State

The following persons are the principal management and operating officers of Hills Telephone Company, Inc.

**Don Snyders – General Manager**

Don has been with Alliance Communications Cooperative, Inc. for the past 24 years. During his first 10 years of employment he served as Office Manager and has been the General Manager for the past 14 years. Don is a 1979 graduate of Morningside College in Sioux City, Iowa, and holds a Bachelor of Science degree with a major in Business Administration. Don currently serves on the Board of Directors of SDN Communications and the South Dakota Telecommunications Association in addition to his duties as General Manager of Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., and Hills Telephone Company, Inc.

**Mark Bahnson – Office Manager**

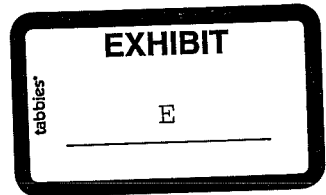
Mark has been the Office Manager at Alliance Communications Cooperative, Inc. for the past 6 years. Mark has a Bachelor of Fine Arts degree from the University of South Dakota, Vermillion, S.D. and was the Artist-in-Residence at the Oscar Howe Art Center before working in advertising. In 1988, he became the Creative Director for Ovenden Wheeler, Inc., a full service advertising and marketing agency serving a variety of customers in the Midwest.

**Kari J. Flanagan – Accounting Manager**

Kari has been the Accounting Manager at Alliance Communications Cooperative, Inc. since March, 1996. Kari is a 1987 graduate of Augustana College, Sioux Falls, South Dakota, and holds a Bachelor of Arts degree with a major in Accounting. Prior to her employment at Alliance, Kari was Accounting Supervisor for Home Federal Savings Bank of Sioux Falls.

**Bob Stiefvater – Plant Supervisor**

Bob has 30 years of employment with Alliance Communications Cooperative, Inc., serving the first 21 years as a Service Technician and the past 9 years as Plant Supervisor. Bob graduated from Mitchell Technical Institute in Mitchell, SD in 1972 with an Associate Degree in Electronics. Prior to his employment at Alliance, Bob worked for Polar Telephone of Park River, N. D. working at the ICBM missile sites in North Dakota.



**MINNESOTA 583  
HILLS TELEPHONE COMPANY, INC.**

***FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003 AND 2002***

**MINNESOTA 583  
HILLS TELEPHONE COMPANY, INC.**

Table of Contents

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	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS</b>	1
<b>FINANCIAL STATEMENTS</b>	
Balance Sheets	2
Statements of Income	3
Statements of Stockholders' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6
<b>INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION</b>	14
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Telecommunications Plant	15
Schedule of Accumulated Depreciation of Telecommunications Plant	16
Statistical and Analytical Information	17
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	18
<b>MANAGEMENT LETTER</b>	19



Consultants • Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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The Board of Directors  
**Hills Telephone Company, Inc.**  
Hills, Minnesota

We have audited the accompanying balance sheets of **Hills Telephone Company, Inc.** as of September 30, 2003 and 2002, and the related statements of income, stockholders' equity and cash flows for the twelve month periods then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Hills Telephone Company, Inc.** as of September 30, 2003 and 2002, and the results of its operations and its cash flows for the twelve month periods then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2003, on our consideration of the company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*EideBailly LLP*

December 17, 2003  
Sioux Falls, South Dakota

**MINNESOTA 583  
HILLS TELEPHONE COMPANY, INC.  
BALANCE SHEETS  
SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,993,525	\$ 748,601
Cash - RUS construction fund	-	4,184
Due from customers	-	39,332
Receivable from affiliates	142,750	-
Other accounts receivable	324,777	402,718
Materials and supplies	-	100,655
Prepaid insurance	-	15,554
	<u>2,461,052</u>	<u>1,311,044</u>
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investments in equity investees	3,816,883	936,336
Other investments	633,252	120,157
Rural Telephone Bank stock	105,750	105,750
Notes receivable	50,000	50,000
Other assets	743	40,301
	<u>4,606,628</u>	<u>1,252,544</u>
<b>TELECOMMUNICATIONS PLANT</b>		
In service	8,320,265	7,869,372
Under construction	20,390	-
	<u>8,340,655</u>	<u>7,869,372</u>
Less accumulated depreciation	5,799,129	5,349,084
	<u>2,541,526</u>	<u>2,520,288</u>
	<u>\$ 9,609,206</u>	<u>\$ 5,083,876</u>

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 650,000	\$ 80,000
Accounts payable	84,088	98,906
Payable to affiliates	738,340	211,913
Customer deposits	2,760	224
Accrued taxes - income	-	28,968
Accrued taxes - other	16,485	(11,215)
Other current liabilities	78,820	51,141
	<u>1,570,493</u>	<u>459,937</u>
<b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>	<u>5,638,496</u>	<u>1,479,862</u>
<b>DEFERRED CREDITS</b>	<u>515,631</u>	<u>546,709</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - \$100 par value, 2000 shares authorized, 1,430 shares issued and outstanding	143,000	143,000
Retained earnings	1,741,586	2,454,368
	<u>1,884,586</u>	<u>2,597,368</u>
<b>Total stockholders' equity</b>	<u>\$ 9,609,206</u>	<u>\$ 5,083,876</u>



**MINNESOTA 583**  
**HILLS TELEPHONE COMPANY, INC.**  
**STATEMENTS OF INCOME**  
**FOR THE TWELVE MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>OPERATING REVENUES</b>		
Local network access	\$ 304,662	\$ 295,681
Network access services	2,720,176	2,589,511
Billing and collection services	25,357	34,592
Miscellaneous revenue	162,269	240,596
Nonregulated revenue	206,524	190,659
Uncollectible revenue	<u>(19,374)</u>	<u>(131,960)</u>
Total operating revenues	<u>3,399,614</u>	<u>3,219,079</u>
<b>OPERATING EXPENSES</b>		
Plant specific operations	398,881	377,372
Plant nonspecific operations	63,927	96,090
Depreciation	458,356	482,706
Customer operations	172,102	196,822
Corporate operations	328,431	229,265
Nonregulated expense	191,919	147,435
Operating taxes, other	<u>57,382</u>	<u>30,271</u>
Total operating expenses	<u>1,670,998</u>	<u>1,559,961</u>
<b>OPERATING INCOME</b>	<u>1,728,616</u>	<u>1,659,118</u>
<b>NONOPERATING INCOME</b>		
Interest and dividend income	31,317	29,467
Equity earnings in partnerships and limited liability companies	<u>201,966</u>	<u>129,190</u>
Total nonoperating income	<u>233,283</u>	<u>158,657</u>
<b>INCOME BEFORE INTEREST EXPENSE AND INCOME TAXES</b>	<u>1,961,899</u>	<u>1,817,775</u>
<b>INTEREST EXPENSE</b>	<u>207,303</u>	<u>135,052</u>
<b>NET INCOME BEFORE INCOME TAXES</b>	<u>1,754,596</u>	<u>1,682,723</u>
<b>INCOME TAXES</b>	<u>704,913</u>	<u>639,923</u>
<b>NET INCOME</b>	<u>\$ 1,049,683</u>	<u>\$ 1,042,800</u>

**MINNESOTA 583  
HILLS TELEPHONE COMPANY, INC.  
STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE TWELVE MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002**

	Common Stock		Retained
	Shares	Amount	Earnings
	<u>          </u>	<u>          </u>	<u>          </u>
BALANCE, SEPTEMBER 30, 2001	1,430	\$ 143,000	\$ 2,311,568
Net income	-	-	1,042,800
Cash dividends	<u>-</u>	<u>-</u>	<u>(900,000)</u>
BALANCE, SEPTEMBER 30, 2002	1,430	143,000	2,454,368
Net income	-	-	1,049,683
Cash dividends	<u>-</u>	<u>-</u>	<u>(1,762,465)</u>
BALANCE, SEPTEMBER 30, 2003	<u>1,430</u>	<u>\$ 143,000</u>	<u>\$ 1,741,586</u>

**MINNESOTA 583**  
**HILLS TELEPHONE COMPANY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE TWELVE MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 1,049,683	\$ 1,042,800
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	458,356	482,706
Equity (earnings) in partnerships and limited liability companies	(201,966)	(129,190)
Change in assets and liabilities		
RUS construction fund	4,184	21
Due from customers	39,332	(1,879)
Receivable from affiliates	(142,750)	-
Other accounts receivable	77,941	47,235
Materials and supplies	100,655	(100,655)
Prepaid expenses	15,554	(3,479)
Accounts payable	(14,818)	(164,836)
Payable to affiliates	526,427	203,844
Accrued taxes - income	(28,968)	(4,755)
Accrued taxes - other	27,700	(25,119)
Other accrued liabilities	27,679	(5,664)
Deferred income taxes	(31,078)	(55,371)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u><b>1,907,931</b></u>	<u><b>1,285,658</b></u>
<b>INVESTING ACTIVITIES</b>		
Net additions to plant	(479,594)	(362,481)
(Increase) decrease in other investments	(3,191,676)	143,399
Decrease in other notes receivable	-	73
Decrease (increase) in other assets	39,558	(15,984)
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<u><b>(3,631,712)</b></u>	<u><b>(234,993)</b></u>
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) in customer deposits	2,536	(700)
Advances on long-term debt	4,811,815	-
Principal payments on long-term debt	(83,181)	(76,637)
Dividends paid	(1,762,465)	(900,000)
<b>NET CASH FOR FINANCING ACTIVITIES</b>	<u><b>2,968,705</b></u>	<u><b>(977,337)</b></u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,244,924</b>	<b>73,328</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>748,601</b></u>	<u><b>675,273</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u><b>\$ 1,993,525</b></u></u>	<u><u><b>\$ 748,601</b></u></u>

MINNESOTA 583  
HILLS TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of operations*

The company's primary line of business is to provide local telephone service and access to long-distance telephone service throughout its local exchange network. The principal market for these telecommunications services are local residential and business customers residing in each of the exchanges the company serves.

*Basis of accounting*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, including certain accounting practices prescribed by the Federal Communications Commission (FCC) and the state regulatory commissions where the company operates.

*Telecommunications and other plant*

These assets are stated at cost. The cost of additions to plant includes contracted work, direct labor and materials, and allocable overheads. When units of property are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and replacements and renewal of items determined to be less than units of property are charged to maintenance.

*Depreciation*

Depreciation is computed using the straight-line method based upon the estimated useful lives of the various classes of property.

*Goodwill*

The Cooperative has adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Under this rule, goodwill and other indefinite lived intangible assets are no longer amortized but are reviewed annually, or sooner if deemed necessary, for impairment.

*Investments*

Investments are stated at cost in companies that are not intended for resale or readily marketable. The company follows the equity method of accounting for investments in partnerships, limited liability companies, and in 20%-50% owned operating companies.

*Revenue recognition*

Revenues are recognized when earned. Interstate access service is based on average schedule settlements with the National Exchange Carrier Association. Local and intrastate access services are based on tariffs filed with the state regulatory commissions in Minnesota and Iowa.

*Cash and cash equivalents*

For purposes of reporting cash flows, the company considers all commercial paper, certificates of deposit and money market funds with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

## NOTES TO FINANCIAL STATEMENTS

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### *Accounting estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Accounts receivable*

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non interest bearing. Payments on trade receivables are applied to the applicable unpaid invoices. The carrying amount of the trade receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected.

### *Business credit risk*

The company provides telephone service on account to its members located in southwestern Minnesota and northwestern Iowa. The company also provides access and billing services on account to various long distance companies which provide toll service to the company's customers.

The company places its cash and temporary cash investments with high credit quality institutions and, by policy, generally limits the amount of exposure at any one financial institution. The accounts at these institutions are generally insured by deposit insurance up to \$100,000. At times during the twelve month period, the company's balances at certain institutions exceeded this limit.

### *Income taxes and investment tax credits*

The provision for income taxes consists of an amount for taxes currently payable and a provision for tax consequences deferred to future periods. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

For financial statement purposes, deferred investment tax credits and excess deferred income taxes relating to depreciation of regulated assets are being amortized as a reduction of the provision for income taxes over the estimated useful or remaining lives of the related property, plant and equipment.

## **NOTE 2 - SIGNIFICANT TRANSACTIONS AND CHANGE IN OWNERSHIP**

Effective July 1, 2003 the company's stock changed ownership. The company had previously been a 100% owned subsidiary of Ollig Utilities Company, a 100% owned subsidiary of Alliance Telecommunications Corporation. The company was split-off from Ollig Utilities Company to a 12% owner of Alliance Telecommunications Corporation; Alliance Communications Cooperative, Inc. Alliance Communications Cooperative, Inc. exchanged its 12% ownership interest in Alliance Telecommunications Corporation for 100% ownership of the Hills Telephone Company stock.

## NOTES TO FINANCIAL STATEMENTS

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In connection with and prior to the split-off, the company was involved in several significant transactions. The company assumed approximately \$4.8 million of long-term debt from CoBank, which had previously been held by Ollig Utilities. The company acquired an ownership interest in Midwest Wireless Holdings, LLC with a fair market value of approximately \$2.8 million. In connection with the CoBank debt, the company acquired approximately \$513,000 of CoBank stock. These transactions were netted and included in the financial statements as a net dividend to Ollig Utilities. The split-off transaction was done as a tax free exchange under Internal Revenue Code Section 355.

### NOTE 3 - RELATED PARTY TRANSACTIONS

Effective January 1, 2003, the company entered into a contract with Alliance Telecommunications Cooperative, Inc. for all its management and operations services. The company paid Alliance Communications Cooperative, Inc., its parent, approximately \$87,000 in 2003 for contracted management and accounting services. The company paid Alliance Communications Cooperative, Inc. approximately \$284,000 in 2003 for direct labor, overhead and transportation and equipment costs. In addition, the parent company billed the company for certain actual expenses attributable to the company such as insurance premiums and legal fees.

Prior to January 1, 2003, the company exchanged goods and services with Ollig Utilities Company, its former parent, and other subsidiary companies of Ollig Utilities Company. The company paid Ollig Utilities Company approximately \$32,000 in 2003 and \$126,000 in 2002 for contracted management and accounting services. The company also paid Ollig Utilities Company \$16,000 in 2003 and \$62,000 in 2002 for data processing services. In addition, Ollig Utilities Company billed the company for certain actual expenses attributable to the company such as insurance premiums and legal fees.

The company had an agreement with Sioux Valley Telephone Company (a subsidiary of Ollig) to provide host-remote facilities. Under the agreement, the company was reimbursed by Sioux Valley Telephone Company for \$4,176 per month through December 31, 2002. In addition, the company was billed by Sioux Valley Telephone Company approximately \$32,000 in 2003 and \$102,000 in 2002 for labor and overheads.

The company was billed approximately \$21,000 in 2002 by Hastad Engineering Co. for engineering services. Hastad Engineering Co. is a subsidiary of Ollig Utilities Company.

The company leased vehicles and construction equipment from Ollig Utilities Company. Payments under these agreements were \$7,338 in 2002.

The company purchased construction services from Loretel Systems, Inc. (a subsidiary of Ollig) in 2001. Payments under this agreement were \$242,699 in 2002.

## NOTES TO FINANCIAL STATEMENTS

The intercompany balances with Ollig Utilities Company relate primarily to the company's share of the consolidated income tax liabilities. The details of the intercompany balances at September 30, 2003 and 2002, are as follows:

	<u>2003</u>	<u>2002</u>
Receivable from related parties:		
Alliance Communications Cooperative, Inc.	<u>\$ 142,750</u>	<u>\$ -</u>
	<u>2003</u>	<u>2002</u>
Payable to related parties:		
Ollig Utilities Company	\$ 12,000	\$ 12,000
Alliance Telecommunications Corporation (parent of Ollig)	713,599	186,895
Hector Communications Corporation (parent of Alliance Telecommunications Corporation)	2,272	-
Sioux Valley Telephone Company (subsidiary of Ollig)	-	13,018
Loretel Systems, Inc. (subsidiary of Ollig)	10,469	-
	<u>\$ 738,340</u>	<u>\$ 211,913</u>

### NOTE 4 - OTHER INVESTMENTS

Other investments consist of the following:

	<u>2003</u>	<u>2002</u>
CoBank - stock	\$ 513,068	\$ -
Iowa Network Services, Inc. (stock at cost)	94,595	94,595
NECA - (stock at cost)	25,000	25,000
Miscellaneous	589	562
	<u>\$ 633,252</u>	<u>\$ 120,157</u>

### NOTE 5 - INVESTMENTS IN EQUITY INVESTEEES

	<u>2003</u>	<u>2002</u>
Midwest Wireless Holdings, LLC:		
Equity in earnings of investee (.89% ownership)	\$ 1,364,569	\$ -
Goodwill	1,413,402	-
Total Midwest Wireless Holdings, LLC	<u>2,777,971</u>	<u>-</u>
Fibercom, L.C. (12.8% ownership)	497,125	432,585
Fibernet Communications, L.C. (12.6% ownership)	541,787	503,751
	<u>\$ 3,816,883</u>	<u>\$ 936,336</u>

## NOTES TO FINANCIAL STATEMENTS

Through the split-off from Ollig Utilities, the company acquired a .89% interest in Midwest Wireless Holdings, LLC (Midwest) as of July 1, 2003. The difference between the equity in earnings of the investee and the fair market value of the interest at the time of acquisition is recorded as goodwill. The company recorded income of \$60,930 as its share of Midwest's earnings in 2003.

The company owns 12.8% of Fibernet Communications L.C. (Fibernet) which was formed to provide fiber optic transport facilities. The company recorded income of \$64,540 and \$74,839 in 2003 and 2002, respectively, as its share of Fibernet's earnings.

The company owns 12.6% of Fibercom, L.C. (Fibercom) which was formed to provide competitive local exchange carrier (CLEC) services. The company recorded income of \$76,495 in 2003 and \$90,968 in 2002, as its proportionate share of Fibercom's earnings. In addition, the company has agreed to guarantee its proportionate share of Fibercom's long-term debt which amounts to approximately \$320,000 at September 30, 2003.

Summarized financial information of equity investees as of September 30, 2003 is as follows:

	Midwest Wireless Holdings, LLC	Fibercom, L.C.	Fibernet Communications, L.C.	Total 2003
Revenues	\$ 168,651,000	\$ 4,223,000	\$ 1,219,000	\$ 172,874,000
Expenses	\$ 138,517,000	\$ 3,172,000	\$ 734,000	\$ 141,689,000
Net income	\$ 30,134,000	\$ 1,051,000	\$ 485,000	\$ 31,185,000
Total assets	\$ 325,693,000	\$ 7,406,000	\$ 4,513,000	\$ 333,099,000
Liabilities	\$ 172,492,000	\$ 3,474,000	\$ 286,000	\$ 175,966,000
Equity	\$ 153,201,000	\$ 3,932,000	\$ 4,227,000	\$ 157,133,000

### NOTE 6 - PLANT AND EQUIPMENT

	Depreciable Lives	2003	2002
General support	10 - 39 years	\$ 683,304	\$ 674,824
Central office	10	3,374,398	3,312,410
Cable and wire facilities	5 - 20	4,187,780	3,810,674
Nonregulated telecommunications equipment	(fully depreciated)	74,783	71,464
In service		8,320,265	7,869,372
Under construction		20,390	-
		8,340,655	7,869,372
Less accumulated depreciation		(5,799,129)	(5,349,084)
		<u>\$ 2,541,526</u>	<u>\$ 2,520,288</u>



NOTES TO FINANCIAL STATEMENTS

NOTE 7 - NONREGULATED ACTIVITIES

The following is a detailed summary of nonregulated income and expenses:

	2003	2002
Revenue:		
Internet revenue	\$ 182,246	\$ 163,838
Installation and repair revenue	15,329	25,210
Lease of customer premise equipment	6,549	1,611
Other	2,400	-
Total nonregulated revenue	<u>206,524</u>	<u>190,659</u>
Internet expenses	164,345	117,411
Installation and repair expense	23,560	29,635
Other	4,014	389
Total nonregulated expenses	<u>191,919</u>	<u>147,435</u>
Net revenue	<u>\$ 14,605</u>	<u>\$ 43,224</u>

NOTE 8 - LONG-TERM DEBT

	2003	2002
CoBank		
7.67% rate fixed through November 11, 2003 payable in quarterly installments through January 2013	\$ 1,950,973	\$ -
7.61% rate fixed through November 19, 2003 payable in quarterly installments through January 2013	650,324	-
7.45% rate fixed through December 14, 2008 payable in quarterly installments through January 2013	1,300,649	-
7.37% rate fixed through January 28, 2008 payable in quarterly installments through January 2013	260,130	-
2.94% variable rate at September 30, 2003 payable in quarterly installments through January 2013	649,739	-
	<u>4,811,815</u>	-
Rural Utilities Service (RUS) mortgage notes:		
2% notes due in quarterly installments through 2008	14,187	17,429
Rural Telephone Bank (RTB) mortgage notes:		
8.5%, due in quarterly installments through 2021	1,462,494	1,542,433
Total	<u>6,288,496</u>	<u>1,559,862</u>
Less current maturities	<u>650,000</u>	<u>80,000</u>
	<u>\$ 5,638,496</u>	<u>\$ 1,479,862</u>

In connection with the split-off from Ollig Utilities Company, the company incurred \$4,811,815 in long-term debt with CoBank. As a condition to securing the loans, the company acquired investments in CoBank, consisting of purchased stock and allocated patronage. The company's investment in CoBank stock at September 30, 2003 was \$513,068.

## NOTES TO FINANCIAL STATEMENTS

The mortgage notes payable to the Rural Utilities Service (RUS) and to the Rural Telephone Bank (RTB) are secured by substantially all assets of the company. The RUS and RTB notes generally mature 35 years from the date of issuance.

During 2002 the company was approved for a new "D" loan with RUS totaling \$8,449,000. No funds have been advanced on this loan.

All loan funds are deposited in the RUS Construction Fund and disbursements are restricted to construction costs and other expenditures authorized by the loan agreement, subject to RUS approval.

RTB Class B stock was purchased pursuant to terms of a mortgage loan agreement with the RTB. The Class B stock will not be redeemed by RTB until all Class A stock has been redeemed.

The CoBank security agreement and the RUS and RTB mortgages place restrictions on dividend payments. At the current time, the company cannot make further dividend distributions. Dividend distributions during the audit periods were made prior to execution of the CoBank debt and were approved by RUS and RTB.

It is estimated that principal repayments on the above debt for the next five twelve month periods will be as follows:

	<u>Total</u>
2004	\$ 650,000
2005	600,000
2006	608,000
2007	618,000
2008	627,000

### NOTE 9 - INCOME TAXES AND INVESTMENT TAX CREDITS

Income tax expense consists of the following:

	<u>2003</u>	<u>2002</u>
Current payable	\$ 735,991	\$ 695,294
Deferred	(31,078)	(55,371)
Total income tax provision	<u>704,913</u>	<u>639,923</u>
Allocation of expense related to nonregulated activities	<u>89,245</u>	<u>84,182</u>
Operating income tax expense	<u>\$ 615,668</u>	<u>\$ 555,741</u>

The company is a member of a group that files a consolidated income tax return. The consolidated amount of current and deferred tax expense is allocated to group members based on a method similar to applying SFAS No. 109 to each member of the group on an individual basis.

## NOTES TO FINANCIAL STATEMENTS

---

Net deferred long-term tax liabilities as of September 30, 2003 and 2002, related to the following:

	<u>2003</u>	<u>2002</u>
Depreciation	\$ 374,092	\$ 374,918
Other	<u>141,539</u>	<u>171,791</u>
Total	<u>\$ 515,631</u>	<u>\$ 546,709</u>

### NOTE 10 - RETIREMENT PLAN

As of January 1, 2003, the company participates in its parent's pension plan which is a noncontributory pension plan covering substantially all employees. The plan is funded through payments to the National Telephone Cooperative Association, (NTCA) which has established a trustee plan whereby annuities, effective upon retirement, will be available to participants in amounts established by the plan. In this master multiemployer plan, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The total cost to the company of the plan for 2003 was approximately \$8,000 and was charged to expense and other accounts on the basis of payroll distribution.

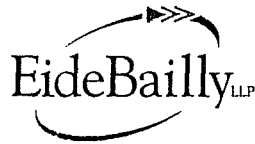
Previously, the company had a 401(k) Employee Savings Plan and Trust Plan. All employees who met certain age and service requirements were covered under this plan, which had discretionary and nondiscretionary sections.

Contributions from discretionary section were determined annually by the Board of Directors and were allocated based on employee salaries. Company expense for this section of the plan was approximately \$2,000 in 2003 and \$10,000 in 2002.

The nondiscretionary section allowed employees to contribute up to the maximum percentage allowable. The company contributed 100% of the participants first 3% of contributions. Company expense for the nondiscretionary section of the plan was approximately \$1,500 in 2003 and \$6,300 in 2002.

### NOTE 11 - SUPPLEMENTAL CASH FLOW DISCLOSURES

	<u>2003</u>	<u>2002</u>
Cash payments for interest	<u>\$ 128,542</u>	<u>\$ 135,041</u>
Cash payments to Ollig Utilities for income taxes	<u>\$ 326,593</u>	<u>\$ 402,100</u>
Cash payments for state income taxes	<u>\$ 24,964</u>	<u>\$ 115,816</u>



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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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The Board of Directors  
**Hills Telephone Company, Inc.**  
Hills, Minnesota

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Except for that portion marked "not audited," on which we express no opinion, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Eide Bailly LLP*

December 17, 2003  
Sioux Falls, South Dakota

**MINNESOTA 583  
HILLS TELEPHONE COMPANY, INC.  
SCHEDULE OF TELECOMMUNICATIONS PLANT  
FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2003**

	Balance 10/1/02	Additions	Retirements	Transfers and Adjustments	Balance 9/30/03
<b>General support:</b>					
Organization	\$ 2,572	\$ -	\$ -	\$ -	\$ 2,572
Land	16,409				16,409
Vehicles and other work equipment	241,296	3,180			244,476
Buildings	383,843				383,843
Office equipment and computers	30,704	5,300			36,004
	<u>674,824</u>	<u>8,480</u>	<u>-</u>	<u>-</u>	<u>683,304</u>
<b>Central office:</b>					
Switching	1,664,270	4,183			1,668,453
Circuit equipment - subscriber	225,005	22,732			247,737
Circuit equipment - fiber electronic	1,229,710	35,073			1,264,783
Circuit equipment - other toll	193,425				193,425
	<u>3,312,410</u>	<u>61,988</u>	<u>-</u>	<u>-</u>	<u>3,374,398</u>
<b>Cable and wire facilities:</b>					
Poles	9,737				9,737
Aerial cable	19,166				19,166
Buried cable	3,170,132	283,700	6,499		3,447,333
Buried fiber optic cable	450,304	99,905			550,209
Buried toll cable	56,163				56,163
Buried station connections	39,189				39,189
Conduit systems	65,983				65,983
	<u>3,810,674</u>	<u>383,605</u>	<u>6,499</u>	<u>-</u>	<u>4,187,780</u>
<b>Nonregulated plant</b>	<u>71,464</u>	<u>3,319</u>			<u>74,783</u>
<b>Total telecommunications plant in service</b>	<u>\$ 7,869,372</u>	<u>\$ 457,392</u>	<u>\$ 6,499</u>	<u>\$ -</u>	<u>\$ 8,320,265</u>

<u>Transfers and Adjustments</u>	<u>Balance 9/30/03</u>	<u>Percent to Plant</u>	
\$ -	\$ 241,522	98.79	%
	213,133	55.53	
	30,200	83.88	
<u>-</u>	<u>484,855</u>	<u>72.98</u>	
	1,668,453	100.00	
	132,365	53.43	
	766,795	60.63	
	193,425	100.00	
<u>-</u>	<u>2,761,038</u>	<u>81.82</u>	
	9,737	100.00	
	19,166	100.00	
	2,082,753	60.42	
	287,829	52.31	
	40,441	72.01	
	39,189	99.99	
	6,427	9.74	
<u>-</u>	<u>2,485,542</u>	<u>59.35</u>	
	67,694		
<u>\$ -</u>	<u>\$ 5,799,129</u>	<u>69.86</u>	<u>%</u>

**MINNESOTA 583**  
**HILLS TELEPHONE COMPANY, INC.**  
**STATISTICAL AND ANALYTICAL INFORMATION**  
**(NOT AUDITED)**

	12 months Ended					
	September	September	December	December	December	December
	2003	2002	2001	2000	1999	1998
<b>ACCESS LINES:</b>						
Residential	2,136	2,154	2,188	2,163	2,096	2,030
Business	618	659	648	626	607	588
<b>Total</b>	<b>2,754</b>	<b>2,813</b>	<b>2,836</b>	<b>2,789</b>	<b>2,703</b>	<b>2,618</b>

**TELECOMMUNICATIONS PLANT STATISTICS:**

Total investment in service	\$8,320,265	\$7,869,372	\$7,515,492	\$7,399,743	\$6,944,723	\$6,696,812
Total per access line	\$ 3,021	\$ 2,798	\$ 2,775	\$ 2,653	\$ 2,569	\$ 2,558
Total per dollar of operating revenue	\$ 2.45	\$ 2.44	\$ 2.38	\$ 2.49	\$ 2.60	\$ 2.52
Additions to plant	\$ 479,594	\$ 362,481	\$ 101,941	\$ 455,020	\$ 247,911	\$ 942,869
Percent depreciated to date	69.7%	68.0%	65.7%	59.8%	5.6%	51.6%
Composite depreciation rate	5.6%	6.4%	7.1%	7.2%	6.7%	6.8%

**FINANCIAL STATISTICS:**

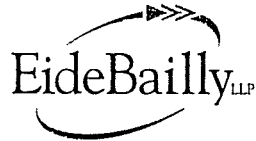
Net income per access line	\$ 381	\$ 371	\$ 425	\$ 353	\$ 228	\$ 273
Operating revenues per access line	\$ 1,234	\$ 1,144	\$ 1,085	\$ 1,063	\$ 988	\$ 1,015
Net income to equity	40.4%	40.1%	45.2%	33.5%	19.4%	20.6%
Equity to total assets	19.6%	51.1%	51.5%	51.7%	54.0%	55.8%
Debt to total assets	65.4%	30.7%	30.7%	32.8%	32.3%	32.0%
Cost of long-term debt	7.6%	8.5%	9.1%	8.4%	8.4%	8.4%
Current ratio	1.4/1.0	2.85/1.0	5.2/1.0	5.4/1.0	4.3/1.0	4.2/1.0
Times interest earned ratio	6.1	8.7	9.0	7.8	5.1	5.6

**SUMMARY OF STATEMENT OF INCOME:**

Local network revenue	\$ 304,662	\$ 295,681	\$ 298,912	\$ 289,277	\$ 278,339	\$ 263,718
Network access revenue	2,720,176	2,589,511	2,671,345	2,551,609	2,222,090	2,211,538
Other revenue	374,776	333,887	453,842	125,019	169,618	182,052
<b>Total operating revenues</b>	<b>3,399,614</b>	<b>3,219,079</b>	<b>3,424,099</b>	<b>2,965,905</b>	<b>2,670,047</b>	<b>2,657,308</b>
Total operating expenses	1,670,998	1,559,961	1,628,133	1,381,341	1,371,338	1,200,335
Operating income	1,728,616	1,659,118	1,795,966	1,584,564	1,298,709	1,456,973
Other income (loss), net	233,283	158,657	285,079	217,605	(154,474)	(25,457)
Interest expense	(207,303)	(135,052)	(151,074)	(145,475)	(150,745)	(155,545)
Income taxes	(704,913)	(639,923)	(724,923)	(673,262)	(378,083)	(562,215)
<b>Net income</b>	<b>\$1,049,683</b>	<b>\$1,042,800</b>	<b>\$1,205,048</b>	<b>\$ 983,432</b>	<b>\$ 615,407</b>	<b>\$ 713,756</b>

**BOOK VALUE PER SHARE OF  
COMMON STOCK**

<b>\$ 1,318</b>	<b>\$ 1,816</b>	<b>\$ 1,897</b>	<b>\$ 1,862</b>	<b>\$ 2,056</b>	<b>\$ 2,220</b>
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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The Board of Directors  
**Hills Telephone Company, Inc.**  
Hills, Minnesota

We have audited the financial statements of **Hills Telephone Company, Inc.** as of and for the twelve month period ended September 30, 2003, and have issued our report thereon dated December 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Compliance*

As part of obtaining reasonable assurance about whether **Hills Telephone Company, Inc.**'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered **Hills Telephone Company, Inc.**'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

*EideBailly LLP*

December 17, 2003  
Sioux Falls, South Dakota





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## MANAGEMENT LETTER

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The Board of Directors  
**Hills Telephone Company, Inc.**  
Hills, Minnesota

We have audited the financial statements of **Hills Telephone Company, Inc.** for the twelve month period ended September 30, 2003, and have issued our report thereon dated December 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered **Hills Telephone Company, Inc.**'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control over financial reporting components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Code of Federal Regulations 7 CFR Part 1773.33 requires comments on specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control structure over financial reporting, of compliance with specific RUS loan and security instrument provisions and of additional matters. The specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(2), related party transactions and investments. The additional matters tested also include a schedule of deferred debits and credits, upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters and, accordingly, we express no opinion thereon.

No reports (other than our independent auditor's report, and our independent auditor's report on compliance and on internal control over financial reporting, all dated December 17, 2003) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

### **Comments On Certain Specific Aspects Of The Internal Control Structure**

We noted no matters regarding **Hills Telephone Company, Inc.**'s internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records;
- The process for accumulating and recording labor, material and overhead costs and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
- The materials control.

### **Comments On Compliance With Specific RUS Loan Security Instrument Provisions**

Management's responsibility for compliance with laws, regulations, contracts, and grants is set forth in our independent auditor's report on compliance dated December 17, 2003. At your request, we have performed the following procedures with respect to compliance with certain provisions of laws, regulations contracts, and grants. The procedures we performed are summarized as follows:

- o Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement or lease between the borrower and an affiliate for the twelve month period ended September 30, 2003:
  - Obtained from management, representations that there were no new contracts, agreements or leases entered into during the twelve month period ended September 30, 2003, between the borrower and the affiliate as defined in 1773.33(e)(2)(i); and,
  - Reviewed Board of Director minutes to ascertain there were no such contracts entered into during the twelve month period ended September 30, 2003, between the borrower and an affiliate.

- o Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:
  - Agreed amounts reported in Form 479 to **Hills Telephone Company, Inc.**'s records.

The results of our tests indicate that, with respect to the items tested, **Hills Telephone Company, Inc.** complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. With respect to items not tested, nothing came to our attention that caused us to believe that **Hills Telephone Company, Inc.** had not complied, in all material respects, with those provisions. The specific provisions tested include the requirements that:

- The borrower has obtained written approval of the RUS (and other mortgagees) to enter into any contract, agreement or lease with an affiliate as defined in 7 CFR Part 1773.33(e)(2)(i); and,
- The borrower has submitted its Form 479 to the RUS and the Form 479, Financial and Statistical Report, as of December 31, 2002, as represented by the company as having been submitted to RUS, is in agreement with **Hills Telephone Company, Inc.**'s records in all material respects and appears reasonable based on audit procedures performed.

## Comments On Other Additional Matters

In connection with our audit of the financial statements of **Hills Telephone Company, Inc.**, nothing came to our attention that caused us to believe that **Hills Telephone Company, Inc.** failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR Part 1773.33(c)(3) and (4);
- The approval of sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material-related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the twelve month period ended September 30, 2003, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(e); and,
- The detailed schedule of investments.

To Board of Directors  
Hills Telephone Company, Inc.  
Page four

Our audit was made for the purposes of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of investments required by 7CFR Part 1773.33(i), and provided below, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

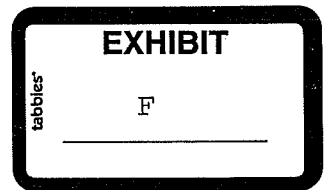
### Detailed Schedule of Investments

	12.62% equity ownership in Fibercom, L.C.	12.82% equity ownership in Fibernet Communications, L.C.	.89% equity ownership in Midwest Wireless Holdings, LLC
Book value of investment as of September 30, 2001	\$ 469,903	\$ 451,243	\$ -
Investment advances during twelve month period ended September 30, 2002			-
Distributions during the twelve month period ended September 30, 2002	(75,540)	(38,460)	-
Earnings during twelve month period ended September 30, 2002	<u>38,222</u>	<u>90,968</u>	<u>-</u>
Book value of investment as of September 30, 2002	432,585	503,751	-
Investment advances during twelve month period ended September 30, 2003	-	-	2,717,041
Distributions during the twelve month period ended September 30, 2003	-	(38,460)	-
Earnings during twelve month period ended September 30, 2003	<u>64,540</u>	<u>76,496</u>	<u>60,930</u>
Book value of investment as of September 30, 2003	<u>\$ 497,125</u>	<u>\$ 541,787</u>	<u>\$ 2,777,971</u>

This report is intended solely for the information and use of the board of directors, management, the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailey LLP*

December 17, 2003  
Sioux Falls, South Dakota



SCHEDULE OF RATES  
FOR  
TELEPHONE SERVICE

Applying to the Intrastate Telephone Services  
Furnished Within The  
State of South Dakota

Explanation of Symbols:

The following Symbols are applicable to all sections of this Tariff schedule:

- (C) - Change in listing Regulation or Condition which may affect a Rate or Charge.
- (D) - Discontinued Rate, Charge, Regulation or Condition.
- (I) - Increase in Rate or Charge.
- (N) - New Rate, Charge, Regulation or Condition.
- (R) - Reduction in Rate or Charge.
- (T) - Changed text with no effect on Rate, Charge, Regulation or Condition.
- (U) - Updated to current existing Rate.
- (P) - Move to Section 10, Price List

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TABLE OF CONTENTS

Section 1	Title Sheet, Table of Contents, and Subject Index
Section 2	General Regulations
Section 3	Definitions
Section 4	Local Exchange Service
Section 5	General Services
Section 6	Service Charges

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INDEX

	<u>Section</u>	<u>Page</u>
- A -		
Access to Facilities	2	14
Adjacent Exchange Service	5	2
Adjustments for Municipality Payments	2	25
Advance Payments	2	9
Application of Rates and Charges	2	17
Application of Regulations	2	3
Applications for Service	2	8
- B -		
Billing Number Service, Special	5	38
- C -		
Call Tracing	5	3
Cancellation of Application for Service Prior to Establishment of Service	2	8
Charges, Service	6	-
Credit Policy	2	10
Custom Local Area Signalling Services (CLASS)	5	7
Custom Calling Features	5	40
Customer Billing	2	11
Failure to Pay for Service	2	12
Payment for Service	2	11
Customer Premise Inside Wiring	2	25
Customer Provision of Equipment	2	27

---

INDEX

	<u>Section</u>	<u>Page</u>
- D -		
Damage, Loss or Destruction of Company Facilities	2	14
Definitions	3	—
Demarcation Point	3	3
Direct Inward Dialing Service	5	42
Directories	2	13
Directory Assistance Service	5	15
Directory Listings	5	16
Disconnection of Service	2	16
- E -		
Employees' Telephone Service	5	23
Emergency Calling System - 911	5	18
Exchange Rates - (Business/Residence)	4	—
Extended Area Service	4	—
- F -		
Failure to Pay for Service	2	12
Fraudulent Use of Service	2	7
- G -		
General Regulations	2	—
- H -		



---

INDEX

	<u>Section</u>	<u>Page</u>
- I -		
Identification of Parties to Communications	2	15
Interruptions to Service	2	14
- J -		
Joint User Service	5	24
- K -		
- L -		
Liability of the Company	2	3
Lifeline	5	37
Limiting of Communications	2	15
Line Extension Charges	5	25
Link-Up Service Connection Program	5	30
Local Exchange Service	4	-
Local Operator Service	5	31
- M -		
Maintenance and Repair of Service	2	14
Mileage Charges	5	34
Minimum Contract Periods	2	8
- N -		

---

INDEX

	<u>Section</u>	<u>Page</u>
- O -		
Obligation of the Company	2	3
Ownership of Facilities	2	13
- P -		
Payment for Service	2	11
Payphone Provider Service	5	35
Point of Demarcation	3	3
Power Supply	2	14
Provision of Equipment	2	26
- Q -		
- R -		
Rearrangement, Repair, Maintenance, Disconnection, and Removal of Facilities	2	14
Refusal of Service	2	17
Registered Equipment	2	28
Regulations, General	2	-
Restoral of Service	2	13

---

INDEX

	<u>Section</u>	<u>Page</u>
- S -		
Service Connection Charges	6	-
Special Assemblies of Equipment	2	24
Special Billing Number Service	5	38
Special Construction	2	23
Suspension of Service	2	17
- T -		
Telephone Numbers	2	13
Termination of Service	2	15
Toll Restriction	5	38
- U -		
Undertaking of the Company	2	3
Use of Service	2	6



GENERAL REGULATIONS

---

INDEX

<u>Subject</u>	<u>Regulation Number</u>	<u>Page Number</u>
Access to Facilities	17	14
Adjustment for Municipality Payments	30	25
Advance Payments	8	9
Applications of Rates and Charges	27	17
Applications for Service	5	8
Cancellation of Application for Service Prior to Establishment of Service	7	8
Credit Policy	9	10
Customer Billing	10	11
Customer Premises Inside Wiring	31	25
Damage, Loss or Destruction of Company Facilities	19	14
Directories	15	13
Disconnection of Service	25	16
Failure to Pay for Service	12	12
General	1	3
Identification of Parties to Communications	22	15
Interruptions to Service	21	14
Liability of the Company	3	3
Limiting of Communications	23	15

GENERAL REGULATIONS

---

INDEX  
(Continued)

<u>Subject</u>	<u>Regulation Number</u>	<u>Page Number</u>
Minimum Contract Periods	6	8
Ownership of Facilities	16	13
Payment for Service	11	11
Power Supply	20	14
Provision of Equipment	32	26
Rearrangement, Repair, Maintenance, Disconnection and Removal of Facilities	18	14
Refusal of Service	26	17
Restoral of Service	13	13
Special Assemblies of Equipment or Speculative Projects	29	24
Special Construction	28	23
Telephone Numbers	14	13
Termination of Service	24	15
Undertaking of the Company	2	3
Use of Service	4	6

---

GENERAL REGULATIONS

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1. GENERAL

- A. The regulations set forth herein apply to intrastate services and facilities furnished within the State of South Dakota by HILLS TELEPHONE COMPANY hereinafter referred to as the Company, subject to the jurisdiction of the South Dakota Public Utilities Commission.
- B. When services and facilities are provided in part by the Company and in part by other companies, the regulations of the Company apply to that portion of the service or facilities furnished by it.

2. UNDERTAKING OF THE COMPANY

The Company undertakes to provide the services offered in this Tariff on the terms and conditions and at the rates and charges specified. This undertaking is dependent upon the availability of facilities. The facilities used to provide a particular service shall be chosen by the Company and are not represented to be suitable for any one service. The Company does not undertake to transmit messages.

3. LIABILITY OF THE COMPANY

- A. The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors or defects in transmission occurring in the course of furnishing service and not caused by negligence of the customer, shall in no event exceed an amount equivalent to the proportionate charge to the customer for the period of service during which such mistakes, omissions, interruptions, delays or errors or defects in transmission occur. No other liability shall in any case attach to the Company. The above described remedies in favor of customer are exclusive and in no event shall the Company, its contractors and agents be liable for responsible to customer or any other person or entity with respect to any other liability, loss or damage, arising out of, caused or alleged to be caused, directly or indirectly, by the Company, including but not limited to any death, bodily injury, an interruption of service, loss of business or profits or any indirect, special, or consequential damages.
- B. The customer indemnifies and saves the Company harmless (including costs and reasonable attorneys' fees) against the following:
  - 1. Acts or omissions of other companies when their facilities are used in connection with the Company's facilities to provide service.
  - 2. Any defacement or damage to the customer's premises resulting from the existence of the Company's instruments, apparatus and associated wire on such premises, or from the installation or removal thereof, when such defacement or damage is not the result of the negligence of the Company, or its employees.

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GENERAL REGULATIONS

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LIABILITY OF THE COMPANY (Continued)

3. Any accident, injury, or death occasioned by its equipment or facilities when such is not due to negligence of the Company.
  4. Claims for libel, slander, or infringement of copyright arising directly or indirectly from the material transmitted or recorded over its facilities; claims or infringement of patents arising from combining with, or using in connection with, facilities of the Company, apparatus, systems and their associated wiring of the customer; and against all other claims arising out of any act or omission of the customer in connection with facilities provided by the Company.
  5. Liability for failure to provide service.
- C. The customer indemnifies and saves the Company harmless against any accident, injury or death caused through the use of telephone apparatus which fail to meet the dielectric requirements as established by the Company when such apparatus is provided by the customer. The Company has the right of refusing to, or ceasing to, render telephone service to a customer if at any time any of the telephones, appliances, lines or apparatus on the customer's premises shall be considered unsafe by Company personnel, or if the use of the service shall be prohibited by or forbidden under any law, ordinance or regulation.
- D. Customer Owned Equipment:

Upon request of subscriber for a trouble visit, a charge will be made if trouble is found to be in subscriber provided systems.

The Telephone Company shall not be responsible for the installation, operation, or maintenance of any customer-provided systems. Exchange and message toll telephone services are not represented as adapted to the use of customer-provided systems where such systems are connected to the Telephone Company facilities the responsibility of the Telephone Company shall be limited to the furnishing of facilities suitable for exchange and message toll telephone services and to the maintenance and operation of such facilities in a manner proper for such telephone services; subject to this responsibility the Telephone Company shall not be responsible for the through transmission of signals generated by the customer-provided systems or for the quality of, or defects in, such transmission or the reception of signals by customer-provided systems.

The Telephone Company shall not be responsible to the customer or otherwise if changes in the criteria, or in any of the facilities, operations or procedures of the Telephone Company render any customer provided facilities obsolete or require modification or alteration of such facilities or otherwise affect its use or performance. Where it is reasonably foreseeable to the Telephone Company that such changes may affect customer provided facilities, the Telephone Company shall provide reasonable notice.



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GENERAL REGULATIONS

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3. LIABILITY OF THE COMPANY (Continued)

E. Emergency Services:

The customer also agrees to release, indemnify and hold harmless the Telephone Company for any infringement or invasion of the right of privacy of any person or persons, caused or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion to use of E911 service features and the equipment associated therewith, or by any services furnished by the Telephone Company in connection therewith, including but not limited to, the identification of the telephone number, address or name associated with the telephone used by persons accessing 911 service thereunder, and which arises out of the negligence or other wrongful act of the customer, its user, agencies or municipalities, or the employees or agents of any one of them.

Under no circumstances shall the Telephone Company or its officers, directors, employees or agents have any liability to the county, a person placing an emergency call on the system or to any other person or entity for any loss, damage, injury or liability which they may suffer, sustain, incur or become subject to, arising out of, based upon or resulting from any negligence on the part of the telco or its officers, directors, employees or agents in preparing or furnishing, or any delay in preparing or furnishing any E911 listings and/or updates to the county and/or in responding and/or delay in responding to an emergency call, including but not limited to any death or bodily injury or any direct, indirect, incidental, special, consequential or other damages.

F. Public Safety and Subscriber Protection:

The Company recommends that the subscribers should be aware of the following possible hazards that exist while using the telephone:

**USE OF THE TELEPHONE NEAR WATER**

The telephone should not be used while you are in a bathtub, shower or pool. Immersion of the telephone or handset in water could cause an electrical shock.

**USE OF THE TELEPHONE DURING AN ELECTRICAL STORM**

You should avoid using a telephone during an electrical storm in your immediate area; calls of an urgent nature should be brief. Although all companies use protective measures to limit abnormal electrical surges from entering your home, absolute protection is impossible. There is a remote risk of a dangerous electrical shock from lightning when using the telephone during a nearby electrical storm.

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GENERAL REGULATIONS

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3. LIABILITY OF THE COMPANY (Continued)

**USE OF THE TELEPHONE TO REPORT A GAS LEAK**

If you think you've found a gas leak, you should not use a telephone in the vicinity of the leak until the leak is repaired. The telephone contains electrical contacts that could generate a tiny spark when you lift the handset and dial. While unlikely, it may be possible for this spark to trigger an explosion if the gas concentration is high enough.

G. Directories

1. The liability of the Company for damages arising out of mistakes, omissions, or errors in directory listings and not caused by negligence of the customer, shall in no event exceed an amount equivalent to the proportionate charge to the customer for the period of service during which such mistakes, omissions, or errors in directory listings. No other liability shall in any case attach to the Company.

4. USE OF SERVICE

A. General

Service is furnished for use by the customer and may be used only by others as specifically provided elsewhere in this Tariff.

B. Unlawful Use of Service

Service shall not be used for any unlawful purpose. The Company may refuse to furnish service to an applicant or may disconnect the service of a customer when:

- 1) A government law enforcement agency, acting within its jurisdiction, advises the Company that such service is being used or will be used unlawfully or for an unlawful purpose, or
- 2) The Company has other information which reasonably causes it to believe that such service is being used or will be used unlawfully or for an unlawful purpose.

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GENERAL REGULATIONS

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4. USE OF SERVICE (Continued)

C. Obscenity

Service shall not be used to make any oral or written comment, request, suggestion or proposal, or to transmit any nonverbal material which is obscene, lewd, lascivious, filthy or indecent.

D. Impersonation

Service shall not be used to impersonate another person with fraudulent or malicious intent.

E. Harassment

Service shall not be used to call another person so frequently or at such times of day or in any other manner so as to annoy, abuse, threaten or harass such other person.

F. Fraudulent Use

- 1) Service shall not be used to transmit a message, to locate a person, or to otherwise give or obtain information without payment of the charges applicable to such use.
- 2) No device shall be used by a customer with the service or facilities of the Company for the purpose of avoiding payment of the applicable charge.

G. Interference With or Impairment of Service

Service shall not be used in any manner which interferes with another person in the use of his service, prevents another person from using his service, or otherwise impairs the quality of service to other customers.

H. Subscribing to Adequate Service

If a customer's use of service interferes unreasonably with the service of other customers, they will be required to take service in sufficient quantity or of a different class or grade.

I. Resale of Service

The resale of service is not permitted unless the customer is in compliance and certified under Section 214 of the Communications Act, and as may be excepted in this Tariff.

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GENERAL REGULATIONS

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4. USE OF SERVICE (Continued)

J. Location of Service

Service, except Coin Telephone Service, shall not be so located in such a manner as to enable other than authorized users to use the service.

5. APPLICATIONS FOR SERVICE

- A. An application for service establishes the contract between the Company and the customer on the terms and conditions set forth in this Tariff. Neither the contract nor any rights acquired thereunder may be assigned or in any manner transferred.
- B. Any change in rates or regulations prescribed by the South Dakota Public Utilities Commission modifies the terms and regulations of contracts to the extent of such change.

6. MINIMUM CONTRACT PERIODS

- A. Except as otherwise provided, the minimum contract period is one month for all services furnished.
- B. Where monthly construction charges are involved, such charges are payable as set forth in Section 5, GENERAL SERVICES.
- C. The length of minimum contract period for directory listings, and for Joint User Service, where the listing actually appears in the directory, is the directory period. The directory period is from the day on which the directory is first distributed to the customers to the day the succeeding directory is first distributed to customers.
- D. The Company may require a minimum contract period longer than one month at the same location in connection with special (nonstandard) types or arrangements of equipment, or for unusual construction, necessary to meet special demands and involving extra costs.

7. CANCELLATION OF APPLICATION FOR SERVICE PRIOR TO ESTABLISHMENT OF SERVICE

- A. Where the applicant cancels an order for service prior to the start of installation or special construction of facilities, no charge applies.

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GENERAL REGULATIONS

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7. CANCELLATION OF APPLICATION FOR SERVICE PRIOR TO ESTABLISHMENT OF SERVICE (Continued)

- B. Where installation of facilities, other than those provided by special construction, has been started prior to the cancellation, the lower of the following charges applies:
  - 1) The total costs (including overheads) in connection with providing and removing such facilities.
  - 2) The monthly charges for the entire initial contract period of the service ordered by the customer as provided in this Tariff plus the full amount of any installation and termination charges applicable.
- C. Where special construction of facilities has been started prior to cancellation, and there is another requirement for the specially constructed facilities in place, no charge applies.
- D. Where special construction of facilities has been started prior to the cancellation, and there is no other requirement for the specially constructed facilities, a charge equal to the costs incurred in the special construction (including overhead) applies. Where one or more, but not all, of the service involved in the special construction are canceled, a charge equal to the cost (including overheads) incurred for the discontinued service applies.
- E. Installation or special construction of facilities for a customer starts when the Company incurs any expense in connection therewith which would not otherwise have been incurred and the customer has advised the Company to proceed with the installation or special construction.

8. ADVANCE PAYMENTS

- A. At the time an application for service is made, an applicant may be required to pay an amount equal to at least one month's service and/or installation charges which may be applicable, in addition to such special construction and installation charges as are to be borne by the applicant. The amount of the advance payment is credited to the customer's account on the first bill rendered.
- B. Federal, State or Municipal governmental agencies may not be required to make advance payments.

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GENERAL REGULATIONS

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9. CREDIT POLICY

A. Deposit and Guarantee Requirements

The Company may require a deposit or guarantee of payment from any customer or applicant who has not established good credit with the Company. Deposit or guarantee of payment requirements as prescribed by the Company must be based upon standards which bear a reasonable relationship to the assurance of payment. The Company may determine whether a customer has established good credit with the Company, except as herein restricted:

- 1) A customer, who within the last 12 months has not had his service disconnected for nonpayment of a bill and has not been liable for disconnection of service for nonpayment of a bill, and the bill is not in dispute, shall be deemed to have established good credit.
- 2) A Company shall not require a deposit or a guarantee of payment based upon income, home ownership, residential location, employment tenure, nature of occupation, race, color, creed, sex, marital status, age, national origin, or any other criteria which does not bear a reasonable relationship to the assurance of payment or which is not authorized by this chapter.
- 3) Qualifying applicants for Lifeline Service may initiate service without paying a deposit if they voluntarily elect to have Toll Blocking on their line. Toll Blocking will be provided at no charge to Lifeline customers.

B. Deposit

When required, a customer may assure payment by submitting a deposit. A deposit shall not exceed an estimated two months' gross bill or existing two months' bill where applicable. All deposits shall be in addition to payment of an outstanding bill or a part of such bill as has been resolved to the satisfaction of the Company, except where such bill has been discharged in bankruptcy. The deposit shall be refunded to the customer after 12 consecutive months of prompt payment of all bills to that Company. The Company may, at its option, refund the deposit by direct payment or as a credit on the bill. With notice any deposit of a customer shall be applied by the Company to a bill when the bill has been determined by the Company to be delinquent. Each Company shall issue a written receipt of deposit to each customer from whom a deposit is received and shall provide a means whereby a depositor may establish a claim if the receipt is unavailable.

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GENERAL REGULATIONS

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9. CREDIT POLICY (Continued)

B. Deposit (Continued)

Interest shall be paid on deposits in excess of \$20 at the rate of 4 percent per year. Interest on deposits shall be payable from the date of deposit to the date of refund or disconnection. The Company may, at its option, pay the interest at intervals it chooses but at least annually, by direct payment, or as a credit on bills.

Upon termination of service, the deposit with accrued interest shall be credited to the final bill and the balance shall be returned within 45 days to the customer.

C. Guarantee of Payment

The Company may accept, in lieu of deposit, a contract signed by a guarantor satisfactory to the Company whereby payment of a specified sum, not exceeding the deposit requirement is guaranteed. The term of such contract shall be for no longer than 12 months, but shall automatically terminate after the customer has closed and paid the account with the Company, or at the guarantor's request upon 60 days' written notice to the Company. Upon termination of a guarantee contract or whenever the Company deems same insufficient as to amount or surety, a cash deposit or a new or additional guarantee may be required for good cause upon reasonable written notice to the customer.

The service of any customer who fails to comply with these requirements may be disconnected upon notice as prescribed in South Dakota Rules. The Company shall mail the guarantor copies of all disconnect notices sent to the customer whose account he has guaranteed unless the guarantor waives such notice in writing.

10. CUSTOMER BILLING

- A. Regular bills will be issued periodically (monthly, quarterly). For billing purposes each month is presumed to have thirty days.
- B. Special bills for long distance telecommunications service may be issued at any time when charges are unusually high and the Company is uncertain as to the customer's ability to pay such charges.
- C. Services which are charged for at monthly rates are billed in advance for one month's service.
- D. Services which are charged for at other than monthly rates are billed in arrears, except when payment for messages is made by cash deposit in the coin telephone.
- E. Detail call information, such as the time at which made, duration and destination may be provided for long distance telecommunications message service.
- F. Retroactive billing adjustments will not be made for a period exceeding one year.

11. PAYMENT FOR SERVICE

- A. The customer is responsible for the payment of rates and charges for all services furnished including, but not limited to, calls originated or accepted at a customer's service location.

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GENERAL REGULATIONS

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11. PAYMENT FOR SERVICE (Continued)

- B. Bills are due when rendered and may be paid at any of the Company's public business offices or other authorized payment locations.
- C. Charges for a message originated or accepted at a coin telephone shall be paid by cash deposit in the coin telephone unless arrangements for billing have been made.
- D. Non-sufficient Fund or No Account Checks

When a customer pays the monthly bill with a non-sufficient fund or no account check, a charge (see Section 6, page 2) will be made to that customer to cover the administrative costs incurred in handling the transaction.

- E. Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

612 East Third Street  
PO Box 349  
Garretson, South Dakota 57030  
(605) 594-3411                      Toll Free 1-800-701-4980

Any objection to billed charges should be reported promptly to the Company. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. Where overbilling of a subscriber occurs, due either to Company or subscriber error, no liability exists which will require the Company to pay any interest, dividend or other compensation on the amount overbilled.

If after an investigation and review by the Company a disagreement remains as to the disputed charges, the customer may file a complaint, in writing or by telephone, to the South Dakota Public Utilities Commission at:

500 East Capitol Avenue  
Pierre, South Dakota 57501

12. FAILURE TO PAY FOR SERVICE

- A. Regular Monthly Bills

- 1) A customer is considered to be delinquent in the payment of a regular monthly bill when the sum due is not received on or before the fifteenth calendar day following the day the bill is either mailed or delivered by other means.
- 2) When a customer is delinquent in the payment of a regular monthly bill, the Company may disconnect the service not sooner than five days after mailing or delivery of written notice of intention to disconnect.

- B. Special Bills

- 1) A customer is delinquent in the payment of a special bill when the sum due is not paid upon presentation.



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GENERAL REGULATIONS

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13. RESTORAL OF SERVICE

- A. If a customer's service is restored after having been disconnected in accordance with this Tariff and a Company service order to terminate such service has not been completed when such service is restored, the customer will be required to pay Service Charges specified in Section 6 of this Tariff. Monthly service rates will not apply for the period between the disconnection and reconnection.
- B. When a customer's service has been disconnected in accordance with this Tariff and the service has been terminated through the completion of a Company service order, service will be re-established only upon the basis of an application for new service.

14. TELEPHONE NUMBERS

The customer has no proprietary right in a telephone number; and the Company may change the telephone number of a customer whenever, in the conduct of its business, it deems it desirable to do so.

15. DIRECTORIES

- A. The Company will furnish to its customers, without charge, its directory as necessary for the efficient use of the service. Copies of other directories may be provided at a nominal charge.
- B. Directories regularly furnished to customers remain the property of the Company. No binder, holder or auxiliary cover, except as provided or authorized by the Company, shall be used in conjunction with any directory furnished by the Company.
- C. No liability for damages arising from errors in or omissions of directory listings, or listings obtained from the Directory Assistance operator, shall attach to the Company. In the case of additional or extra listings for which a charge is made, its liability shall be limited to the monthly rate for each such listing for the charge period during which the error or omission continues.

16. OWNERSHIP OF FACILITIES

Facilities furnished by the Company remain the property of the Company until transferred or abandoned.

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GENERAL REGULATIONS

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17. ACCESS TO FACILITIES

The customer shall provide employees and agents of the Company access to Company facilities, at all reasonable times.

18. REARRANGEMENT, REPAIR, MAINTENANCE, DISCONNECTION AND REMOVAL OF FACILITIES

- A. All facilities owned by the Company will be maintained by it, except where such facilities are situated, in the judgment of the Company, in hazardous or inaccessible locations.
- B. Customers may not rearrange, disconnect, remove or otherwise tamper with, or permit others to rearrange, disconnect, remove or tamper with any facilities owned by the Company, except with the Company's written consent, or as specified elsewhere in this tariff.

19. DAMAGE, LOSS OR DESTRUCTION OF COMPANY FACILITIES

All ordinary expense of maintenance and repair of Company facilities, unless otherwise specified in this Tariff, is borne by the Company. If any of the Company's facilities are damaged, lost or destroyed and not due to ordinary wear and tear, the customer is held responsible for the cost of replacing the lost or destroyed facilities or restoring the damaged facilities to their original condition, except when caused by the negligence of the Company.

20. POWER SUPPLY

The customer is responsible for providing a suitable supply of commercial electrical power, including outlets, when and where required by the Company for the operation of any Company-provided telecommunications equipment on the customer's premises.

21. INTERRUPTIONS TO SERVICE

- A. When service is interrupted and the interruption exceeds a 24-hour period (as measured from the time the interruption is reported to or detected by the Company, whichever occurs first, unless otherwise stated in another Section of this Tariff or that of a connecting company which governs), a credit allowance will be made, at the customer's request, for the service which is rendered useless and inoperative due to the interruption.
- B. A credit allowance will not be given for:
  - 1) Interruptions caused by the negligence or willful act of the customer.
  - 2) Interruptions caused by customer-provided facilities.
  - 3) Interruptions caused by electric power failure where the customer furnishes such electric power.

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GENERAL REGULATIONS

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21. INTERRUPTIONS TO SERVICE (Continued)

- C. The credit allowance will be based upon the ratio of the duration of the service interruption (measured from the time the interruption is reported to or detected by the Company, whichever occurs first) to the total time in a 30 day month. That ratio, multiplied by the monthly rate for the service affected shall determine the amount of the credit allowance. No other liability shall attach to the Company in consideration of such interruption to service. Retroactive billing adjustments will not be made for a period exceeding three years.

22. IDENTIFICATION OF PARTIES TO COMMUNICATIONS

The calling party shall establish his identity as often as may be necessary in the course of any communication.

The calling party shall be solely responsible for establishing the identity of the party with whom connection is made at the called station or stations.

23. LIMITING OF COMMUNICATIONS

The Company may limit communications over its facilities during emergencies which result in a shortage of facilities.

24. TERMINATION OF SERVICE

- A. Service may be terminated prior to the expiration of the minimum contract period upon notice being given to the Company in advance and upon payment of the termination charges given below in addition to all charges due for service which has been furnished.
- 1) In the case of service for which the minimum contract period is one month, the termination charges are the charges due for the balance of the initial month.
  - 2) In case of additional directory listings and Joint User Service, where the listing has appeared in the directory, the termination charges are the charges due to the end of the directory period. In the following cases, however, charges will continue only to the date of termination of the extra listing or Joint User Service, subject to a minimum charge for one month:
    - a. The contract for the main service is terminated.
    - b. The listed party or joint user becomes a customer to telephone exchange service.
    - c. The listed party moves to a new location.
    - d. The listed party or joint user dies.

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GENERAL REGULATIONS

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24. TERMINATION OF SERVICE (Continued)

- 3) In the case of special equipment for which the minimum contract period is in excess of one month at the same location, such proportion of the sum of the cost of the equipment and of its installation, plus the cost of removal, less the salvage value of the equipment removed, as the unexpired portion of the minimum contract period bears to the full minimum contract period.
- B. Service may be terminated after the expiration of the minimum contract period, upon the Company being notified in advance and upon payment of all charges due to the date of termination of the service.
  - C. Telecommunications service will not be disconnected on any Friday, Saturday, Sunday, or legal holiday, or at any time when the company's business offices are not open to the public, except where an emergency exists.

25. DISCONNECTION OF SERVICE

- A. The company may discontinue service to a customer without notice under the following conditions:
  - 1) In the event of tampering with the company's equipment;
  - 2) In the event of a condition determined to be hazardous to the customer, to other customers of the company, to the company's equipment, the public, or to employees of the company; or
  - 3) In the event of a customer's use of equipment in such a manner as to adversely affect the company's equipment or the company's service to others.
- B. The company may discontinue telecommunications service to a customer under the following conditions after giving customer five (5) days' (excluding Sundays and legal holidays) notice:
  - 1) For failure of the customer to pay a bill for service when due;
  - 2) For failure of the customer to meet the company's deposit and credit requirements;
  - 3) For failure of the customer to make proper application for service;
  - 4) For customer's violation of any of the company's rules on file with the Commission;
  - 5) For failure of the customer to provide the company reasonable access to its equipment and property;
  - 6) For customer's breach of the contract for service between the company and the customer;
  - 7) For a failure of the customer to furnish such service, equipment, and/or rights-of-way necessary to serve said customer as shall have been specified by the utility as a condition of obtaining service; or
  - 8) When necessary for the utility to comply with any order or request of any governmental authority having jurisdiction.

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GENERAL REGULATIONS

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26. REFUSAL OF SERVICE

The Company may refuse to furnish service if it has reasonable cause to believe that the service will be used in violation of, or noncompliance with, any of the regulations or other conditions contained in this Tariff governing the furnishing of such service. If the Company so refuses to furnish service it will inform the applicant of his right to complain to the South Dakota Public Utilities Commission. If the Commission shall, upon hearing such complaint, determine that the service will not be used in violation of any of the regulations or other conditions contained in this Tariff, the service will be promptly furnished.

27. APPLICATION OF RATES AND CHARGES

A. General

- 1) Determination as to whether subscriber's service should be classified as business or residence service is based upon the character of the use which is to be made of the service.
- 2) While the location at which service is furnished is, in most cases, a dependable index of the character of use and rates for business and residence service are generally applied on this basis, the character of use is controlling in all instances regardless of the location.
- 3) Flat rate and message rate services are not furnished in the same premises unless it is established that neither service will be used to supplement the other.
- 4) Classification and application of rates for business and residence services offered to customers, rather than for collective use, are set forth herein. (Collective use would include services such as semi-public, public or service station service.)

B. Business Use

- 1) Business rates apply to any service provided for customer use in any premise regularly used in whole or in part for any business, trade or professional use, or:
  - a. For both business and residence use.
  - b. To such service for which a business type of directory listing or other indication, such as advertising in any form apply.
  - c. Where the customer engaged in a business, trade or profession is not a customer to or authorized user of business telephone service in the same exchange.
- 2) Where the place of business and residence of a customer are in the same premises and no telephone is installed in the place of business, the business rate shall be charged for the telephone installed in the residence.
- 3) Service to Churches - see D. below.

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GENERAL REGULATIONS

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27. APPLICATION OF RATES AND CHARGES (Continued)

C. Residence Use

- 1) Residence rates apply to service provided for customer use in the residence of an individual or family, (such as single residence, or a private dwelling, apartment house or hotel, or other building, trailer, etc.), where the service will be used solely by the customer or members of his family, and such use will be primarily for personal, social and domestic purposes and only incidentally for business purposes, and/or:
  - a) The listings furnished include no designation, title or other matter indicating the business, trade or profession in which the customer or any other authorized user of his service is engaged.
  - b) The customer or other authorized user of the residence service is a person with a doctor's degree who is engaged in the practice of medicine, surgery, dentistry, optometry, osteopathy, etc., and is also a customer to, or an authorized user of business service in the same or another premise in the same exchange, in which case the title may be included in any listing of the residence service if necessary for purposes of identification of such person but not of value for any business purpose.
  - c) The customer or other authorized user of the service is employed as a clergyman, military or naval officer, is a retired clergyman, officer or professional man; in which cases a title, such as Rev., Father, Rabbi, Capt., Dr., etc., if necessary for purposes of identification of such person but not of value for any business purpose, may be included in the listing.
  - d) When in the judgment of the Company a descriptive title or designation is included in a listing as is necessary to properly identify the customer or an authorized user of his service, but not of value for any business purpose.
- 2) Residence rates also apply to service provided for customer use in the following cases where the use of the service is primarily for personal, social or domestic and only incidentally for business purposes or:
  - a) At lodging or rooming houses where the total tenants never exceeds five (5) or at boarding houses where the total patrons never exceed ten (10).

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GENERAL REGULATIONS

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27. APPLICATION OF RATES AND CHARGES (Continued)

C. Residence Use (Continued)

2) (Continued)

- b) To station services in college fraternity or sorority houses where the members lodge or board.
- c) To station service in quarters of clubs, including civic organizations and fraternal societies, where an attendant is not regularly provided, or where the quarters are neither continuously nor frequently open or in use, and use of the service is primarily for personal, social or domestic purposes and only incidentally for business purposes.

3) Service to Churches - see D. below.

D. Service to Churches

1) Business rates apply for service in churches when:

- a) The telephone is located in the church and used in the administration of the church and its activities.
- b) A telephone is located in an outer office of the study for the use of a secretary or others.
- c) The telephone in the church includes a type of telephone intercommunicating system or a signaling system, (excluding hold only feature).
- d) Service is furnished in a residence of a clergyman and one or more extension telephones connected to the service are located in the church where business rates would normally apply.

2) Residence rates apply when:

- a) A telephone is located in the clergyman's residence.
- b) The telephone is located in the church hall or kitchen and its use is for social or domestic purposes.
- c) The telephone is located in the clergyman's residence and an extension is located in the church where residence rates would apply.

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GENERAL REGULATIONS

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27. APPLICATION OF RATES AND CHARGES (Continued)

D. Service to Churches (Continued)

2) (Continued)

- d) When conditions in a), b), or c) preceding are met, the residence telephone may be listed in the alphabetical section of the directory in the name of the church of Pastor. An additional alphabetical listing which lists either the name of the Pastor or the church may be provided at the rates shown under Directory Listings in the General Services Section of this Tariff. Residence rate treatment does not entitle the church to a listing in the classified section of the telephone directory without additional charge.

E. Combined Access Line Service (Bridged)

- 1) Combined access line service may be provided only in the form of two (2) permanently bridged, individual flat rate, access lines located in the same exchange; and when equipment and facilities are available.
- 2) Service may be provided, only as equipment and facilities are available, under one of the following standard plans.
  - a) One telephone number assigned to both access lines or when desired by the customer a separate number may be assigned to each access line. Station signals (bells, buzzers, etc.) at both stations ring when either station is called. Neither code or selective ringing is provided.
  - b) For full selective ringing a separate telephone number is assigned to each station. Each station bell rings only at the station called. An extension bell or other auxiliary signaling device with or without a cut-off feature may be installed at each station. Or if desired, the bell may be arranged to ring only at one of the two (2) stations and connected to the station line in such a manner as to indicate calls to the other station. Code ringing is not provided.
  - c) Separate telephone numbers, as normally required to provide code ringing on a party line, may be assigned to each station, if available. When code ringing is provided, station bells at both stations ring; but the code indicates which station is being called.



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GENERAL REGULATIONS

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27. APPLICATION OF RATES AND CHARGES (Continued)

E. Combined Access Line Service (Bridged) (Continued)

- 3) Under each of the plans shown above, the telephone number or numbers assigned and the associated central office facilities, must be connected to the same central office. Calls between combined access lines are placed in the same manner as calls between two (2) party line stations served by the same central office. Inter station calling is described in the telephone directory. Each combined access line may be separately billed for both local service and long distance charges.
- 4) Each station of a combined access line service is classed and rated as a flat rate individual access line. Therefore, exchange line mileage charges at the individual line level apply to each station of a combined access line service which is located outside its controlling base rate area, whether or not both stations are served by the same cable pair.
- 5) Combined access line service will not normally be furnished in cases where:
  - a) An off-premise extension station, automatic answering and recording equipment, or transfer service can be provided and would be a better means of meeting the customer's service need.
  - b) The access lines combined are not contracted for by the same customer or individually by a principal and his employee or agent.
- 6) Combined access line service is not furnished in connection with basic coin, PBX trunk, foreign exchange service or at any location where the frequency or duration of use of service is sufficient to warrant separate rather than combined access line service.
- 7) Combination of telephone services is not in accord with the general plan of furnishing telephone service and is provided only under special conditions when warranted by the circumstances involved and when suitable facilities are available. A special construction charge may be applied for equipment as may be required at any time.

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GENERAL REGULATIONS

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27. APPLICATION OF RATES AND CHARGES (Continued)

F. Limitations on Resale

- 1) A school or public library receiving discounted services may not resell, sub-lease or in any other manner allow entities that would not qualify for the discount to obtain those services.
- 2) A telecommunications provider, telephone company, or an authorized agent of the school or public library possessing all authorization needed to provide telecommunications service to the school or library may request that the Company provide the service to the telecommunications provider, telephone company or agent at the discounted rate for the exclusive purpose of providing the requested service to a qualifying school or public library that has requested the service. A telecommunications provider, telephone company, or an authorized agent shall not be entitled to any additional discount on services qualifying for a discount under this tariff and the discounted rate offered by the Company shall not be considered its retail rate for this service.

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GENERAL REGULATIONS

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28. SPECIAL CONSTRUCTION

A. Private Property

- 1) An average amount of entrance and distribution facilities may be furnished by the Company, provided the facilities are of the standard type normally furnished for the particular location or kind of service.
- 2) If additional entrance or distribution facilities are required; if the conditions are such as to require special equipment, maintenance or methods of construction; if the stability of the customer has not been established; if the installation is for a temporary or semi-permanent purpose or if for any other reason the construction costs are excessive as compared with the revenue to be derived, the applicant shall be required to pay the costs over and above those applicable for a normal installation.
- 3) The customer will provide the Company without charge written permission for the placing of the Company's facilities on the property.

B. Underground

- 1) When feasible, conduit will be furnished by the Company at cost, or conduit may be provided by the applicant subject to the Company's specifications. Conduit used for Company facilities may not be used for any other purpose without the consent of the Company. The distance between the conduit and an electric light or power conduit or conductor shall be in accordance with the Company's specifications. The customer shall be required to pay the entire cost of maintenance of conduit including subsequent excavations and replacements necessary because of damage resulting from negligence on the part of the customer or his representatives or from freezing or improper drainage.
- 2) The cost of relocating underground entrance facilities at the customer's request will be borne by the customer.

C. Interim Excess Construction Charges for Advance Rural Regraded Service

- 1) Regrading of a customer's service on an individual basis in advance of the scheduled regrade for an exchange may be accomplished as set forth herein.
- 2) Charges for advance rural regraded service are intended to cover a portion of the costs for providing upgraded service and are in addition to the monthly rates for the class and grade of service provided, including mileage outside of the Base Rate Area when applicable.
- 3) All construction will be of a type, determined by the Company, as would normally be provided in the area where additional facilities are requested.

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GENERAL REGULATIONS

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28. SPECIAL CONSTRUCTION (Continued)

C. Interim Excess Construction Charges for Advance Rural Regraded Service (Continued)

- 4) Customers who may be provided service on the same upgraded facility may be grouped for the application of these charges insofar as the apportionment does not increase the charges applicable to provide service to a single customer alone.
  - a) Charges for a group are those in excess of the individual allowance in which is applicable in each instance of advance regraded service. The total amount in excess of the total allowance for a group will be apportioned to each upgraded customer in equal amounts.

5) Rates:

Installations up to 150 ft.	6 mos. advance rental
Installations from 150 ft. to 660 ft.	12 mos. advance rental
Installations from 660 ft. to 1,320 ft.	24 mos. advance rental
Installations from 1,320 ft. to 2,460 ft.	36 mos. advance rental
Installations from 2,460 ft. to 3,960 ft.	48 mos. advance rental
Installations from 3,960 ft. to 5,280 ft.	60 mos. advance rental
Installations from 5,280 ft. to 6,600 ft.	72 mos. advance rental

For all installations over 6,600 feet, 12 month's rental in advance for each additional 1,320 feet or fraction thereof to be constructed. All the above measurements are from the main line to the applicant's residence or place of business.

29. SPECIAL ASSEMBLIES OF EQUIPMENT OR SPECULATIVE PROJECTS

A. Special Assemblies of Equipment or Speculative Projects, for which provision is not otherwise made in this Tariff or those involving unusual costs, may be provided where practicable, if not detrimental to any of the services furnished by the Company.

- 1) The charge for such facilities may be in the form of an installation charge, a monthly charge, a termination charge or any combination thereof, and will include, but not limited to, when applicable, one or more of the following estimated expense items associated with the special equipment or service provided:
  - a) Maintenance expense
  - b) Depreciation expense - including reusable and nonrecoverable items
  - c) Administration expense
  - d) Taxes - including Federal Income Tax
  - e) Any other specific items of expense that may be associated with the facility provided
  - f) A reasonable return on investment

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GENERAL REGULATIONS

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29. SPECIAL ASSEMBLIES OF EQUIPMENT OR SPECULATIVE PROJECTS (Continued)

- 2) The estimated installation cost used in the derivation of the various expense items shall include but not limited to, the following:
  - a) Material
  - b) Material overhead
  - c) Installation labor
  - d) Installation labor overhead

- B. In connection with Marketing and Sales studies or programs, the Company reserves the right to waive Service Charges within specified areas for such periods of time as designated by the Company and filed with the Commission.

30. ADJUSTMENTS FOR MUNICIPALITY PAYMENTS

If at any future time a municipality acquires the legal right to impose an occupation tax, license tax, permit fee, franchise fee or other similar charge upon the Company and imposes the same by ordinance or otherwise, such taxes, fees or charges shall be billed to the customers receiving service within the territorial limits of such municipality. Such billing shall allocate the tax, fee or charge among customers uniformly on the basis of each customer's monthly charges for the types of service made subject to such tax, fee or charge.

31. CUSTOMER PREMISES INSIDE WIRING

- A. Inside Wiring (I/W) is the facility used to extend the Exchange Carrier (EC) network from the demarcation point to the location where the connection is made to the Customer's Premise Equipment (CPE).
- B. Inside Wiring is deregulated and detariffed January 1, 1987, as ordered by the F.C.C.
- C. Customers must make their own arrangements for provisioning of inside wire with the option for them to provide I/W themselves, arrange I/W installation, removal, replacement, rearrangement or maintenance with a vendor of their choice, or request the telephone company to perform their service request. The telephone company provides maintenance and installation of I/W on a deregulated basis.
- D. Telephone company specific rates and charges may be obtained from the business office.
- E. See Section 3 for the definition of the demarcation point. The demarcation point is the point where regulated access terminates.

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GENERAL REGULATIONS

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31. CUSTOMER PREMISES INSIDE WIRING (Continued)

F. In the event that the customer, or someone on the customer's behalf, provides, maintains or attempts to provide or maintain inside wire, the customer shall indemnify and hold the Company harmless from any and all liability for damage to property or death of or injury to any person or persons directly or indirectly arising out of or caused, in whole or in part, by the customer's acts or those of anyone acting on the customer's behalf.

G. Responsibility of the Customer

- 1) The installation of inside wire must be in accordance with technical standards which may be obtained from the Company business office.
- 2) The customer assumes the risk of loss of service, damage to property or death to or injury of the customer or anyone acting on behalf of the customer.

H. Violation of Regulations

- 1) Where any customer-provided inside wire and jacks have been installed or any inside wire and jacks have been maintained by the customer in violation of the technical standards, the Company will promptly notify the customer of the violation and will take such immediate action, including the disconnection of service, as is necessary for the protection of the telecommunications network and Company employees.
- 2) The customer shall discontinue use of the customer-provided inside wire and jacks or correct the violation and notify the Company in writing within ten days after receipt of such notice that the violation has been corrected.
- 3) Failure of the customer to discontinue such use or to correct the violation will result in the suspension of the customer's service until such time as the customer complies with the provisions of the Tariff.

32. PROVISION OF EQUIPMENT

- A. Customer Premises Equipment (CPE) is deregulated and detariffed effective 12/31/87. After this date, customers must make their own arrangements for premises equipment with the option for them to provide the equipment themselves, arrange the provision and maintenance of equipment with a vendor of their choice, or request the telephone company to provide and/or maintain their premises equipment.
- B. Telephone company rates and charges for the purchase, lease and maintenance of customer premises equipment may be obtained from the business office. The Company provides these services on a deregulated basis.

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GENERAL REGULATIONS

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32. PROVISION OF EQUIPMENT (Continued)

- C. Customer provided equipment may be connected at the customer's premises to facilities of the Company for use with individual line, multiparty line, PBX and key systems exchange service in compliance with FCC regulations, provided any device so used does not:
- 1) Endanger the safety of Company employees or the public;
  - 2) Damage, require change in or alteration of, or involve direct electrical connection to, the equipment or other facilities of the Company, unless as provided for elsewhere in this Tariff;
  - 3) Interfere with the proper functioning of the equipment or facilities of the Company;
  - 4) Impair the operation of the communication system;
  - 5) Otherwise injure the public in its use of the Company's services.
- D. Customers may connect equipment or systems registered or grandfathered by the FCC directly to the Company network subject to the provisions as stated elsewhere in this Tariff.
- E. Responsibility of the Customer
- 1) Upon notification from the Company that the customer provided equipment is causing or is likely to cause harm, the customer shall make such change as is necessary to remove such harm. Failure to make such change will result in disconnection of service until such change is completed to the satisfaction of the Company.
  - 2) The customer will be responsible for the payment of maintenance visit charges for service calls by Company employees to the customer's premises where a service difficulty or trouble report results from customer provided equipment and/or inside wire.
  - 3) The customer may be required, as a condition of service, to pay in full all sums due the Company including, but not limited to, installation charges, service charges, termination charges, minimum charges, and reimbursement for loss or damage to Company facilities as may apply.
- F. Responsibility of the Company
- 1) The technical criteria relative to provision of customer provided systems and equipment is contained in tariffs on file with the FCC.

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GENERAL REGULATIONS

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32. PROVISION OF EQUIPMENT (Continued)

F. Responsibility of the Company (Continued)

- 2) The Company shall not be responsible to the customer for changes in the technical criteria or in any of the facilities, operations or procedures initiated by the Company or appropriate regulatory agencies which might render any customer provided equipment obsolete or require modification or alteration of such equipment or otherwise affect its use or performance. The Company will make a reasonable effort to notify a customer in advance of changes in technical criteria, operations or procedures which might affect customer provided equipment or systems.
- 3) The Company shall not be responsible for the installation, operation or maintenance of any customer provided communications systems or equipment.
- 4) The Company will make reasonable attempts, where practicable, to notify the customer that temporary discontinuance of service may be required to eliminate service difficulty resulting from customer provided equipment and Service Charges will apply. However, where prior notice is not practicable, the Company may temporarily discontinue the service in accordance with FCC rules.



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DEFINITIONS

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**ACCESS LINE** - A line which connects a customer to the central office (switching point) of an exchange through which local calls can be made. The access line provides at a minimum analog voice grade service which transmits and receives voice conversation in the range of 300 to 3000 hertz.

**ADDITIONAL LISTING** - Any listing of a name or other authorized information in connection with a customer's telephone number beyond which the customer is entitled with basic service.

**ADJACENT EXCHANGE SERVICE** - Local exchange service furnished from a contiguous exchange, in addition to the customer's primary (home) exchange service.

**APPLICATION** - A request made orally or in writing for telephone service.

**AUTHORIZED USER** - A person, firm or corporation (other than the customer) on whose premise a connection to the Switched Network or dedicated facilities is located and who may communicate over such channels in accordance with the terms of the tariff.

**BASE RATE** - A rate for exchange service available to customers located within a base rate area.

**BASE RATE AREA** - A specific area within which local telephone exchange service is furnished at Local Exchange Service Tariffs rates.

**BASIC COIN TELEPHONE SERVICE** - A service provided to a station equipped with a coin collecting device.

**BUSINESS SERVICE** - Telephone service furnished to customers where the actual or obvious use is principally or substantially of a business, professional, or occupational nature.

**CENTRAL OFFICE** - An operating switching unit by means of which telephonic communication is established between stations connected to such office.

**CENTRAL OFFICE LINE** - A circuit connecting a customer's premises with a central office.

**CHANNEL** - A path suitable for the transmission of communications.

**CIRCUIT** - See Channel.

**CLASS OF SERVICE** - The categories of service available to the customer, such as business or residential.

**COIN SUPERVISION ADDITIVE SERVICE** - Provides the capability of central office line equipment to pass signals and/or tones from a local exchange service line to a trunk terminating at the payphone service provider's (PSP's) operator service provider. These signals enable an operator service provider to recognize coin deposits and return coins to the pay telephone user. Coin Supervision Additive Service also permits a suitably equipped operator service provider to automatically ring back the originating local exchange service line upon completion of a call.

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DEFINITIONS

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**COMMUNICATIONS SYSTEM** - Channels and other facilities which are capable, when not connected to exchange telecommunications service, of two-way communications between customer-provided terminal equipment or company stations.

**COMPANY** - A corporation, association, partnership, or individual engaged in the business of furnishing telephone service to the public under the jurisdiction of the South Dakota Public Utilities Commission.

**CONNECTING COMPANY** - A corporation, association, partnership or individual owning or operating one or more exchanges and with whom communications services are interconnected.

**CONNECTION CHARGE** - See "Service Connection Charge".

**CONSTRUCTION CHARGE** - A separate non-recurring charge made for the construction of facilities.

**CONTINUOUS PROPERTY** - The plot of ground, together with any buildings thereon, occupied by the customer, which is not divided by public highways or separated by property occupied by others.

**CONTRACT** - Refers to the agreement between a customer and the Company under which service and facilities are furnished in accordance with the applicable provisions of the Tariffs.

**CUSTOMER** - The individual, partnership, association or corporation which contracts for telephone service and is responsible for the payment of charges and compliance with the rules and regulations of the Company.

**CUSTOMER-PROVIDED EQUIPMENT** - Devices, apparatus, and/or associated wiring provided by a customer.

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DEFINITIONS

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**DEMARCATION POINT** - The point of connection, provided and maintained by the Telephone Company, at which the Telephone Company service and the property owner's or customer's facilities are connected. This Demarcation Point is to be mutually agreeable to the Telephone Company and the subscriber or property owner, and is normally located near the point where the Telephone Company facilities enter the building or property, on the subscriber's side of the Company's protector, or its equivalent.

The Telephone Company will provide a Demarcation Point for each residential structure having a separate ground level entrance. Residential structures sharing common walls, but not sharing common entrances or common space, such as hallways or basements, will have separate Demarcation Points.

Multitenant residential structures sharing common entrances or common space will have one Demarcation Point per structure. "Residential structure" does not include garages, barns, or other buildings situated on residential property but not intended for human habitation.

For multiple buildings constructed on continuous business property, such as shopping centers, condominiums, industrial parks, and campuses, the Telephone Company may establish a single Demarcation Point or may designate one of the existing terminating connections on a property as a main Demarcation Point. Where feasible, one or more alternate Demarcation Points may be placed or reinforced by the Company at the request of the business customer or property owner. Charges will be applied to cover additional costs of placing or reinforcing alternate Demarcation Points. The property owner or customer is responsible for service on the customer side of the Demarcation Point.

**DIRECTORY LISTING** - A publication in the Company's alphabetical directory of information relative to a customer's name or other identification and telephone number.

**DISCONNECT NOTICE** - The written notice sent to a customer following billing notifying the customer that service will be discontinued if charges are not satisfied by the date specified on the notice.

**DROP WIRE** - That portion of a circuit between the pole line or cable distributing box and the demarcation point of the building in which the station or switchboard is located.

**END USER** - Any customer of telecommunications service that is not a carrier or a wholesaler. An "end user" carrier that can use a telecommunications service for administrative purposes, without making such service available to others, directly or indirectly.

**ENTRANCE FACILITIES** - Facilities extending from the point of entrance on private property to the demarcation point of the premises in which service is furnished.

**EXCHANGE** - A basic geographical unit established for the administration of telephone service in a specified area, called the "Exchange Area," which usually embraces a city, town or village, and its environs. It may consist of one or more central offices, together with the associated plant, equipment, and facilities used in furnishing communication service within that area.

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DEFINITIONS

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EXCHANGE AREA - The territory served by an exchange.

EXCHANGE LINE - Any circuit directly or indirectly connecting an exchange station with a central office.

EXCHANGE SERVICE - Exchange service is a general term describing as a whole the facilities provided for local intercommunication at charges in accordance with the provisions of the tariff. Exchange facilities are used to establish and maintain connection between the exchange station and facilities in connection with calls outside the exchange area.

EXCHANGE STATION - A station connected with a central office.

EXTENDED AREA SERVICE - Interexchange telephone service furnished at a flat or a per minute rate between one or more exchange areas.

EXTENSION MILEAGE - The charges made for the additional circuit required to furnish stations beyond the allowable distance from the demarcation point.

EXTRA EXCHANGE LINE MILEAGE - The measurement on which charges are based for that portion of the circuit extending beyond the Base Rate Area but within the Exchange Area.

EXTRA LISTING - See Additional Listing.

FLAT RATE SERVICE - Service furnished at a fixed monthly charge.

FOREIGN CENTRAL OFFICE - Any central office other than that which serves the area in which the customer is located.

FOREIGN EXCHANGE LINE MILEAGE - The measurement applying to that portion of a central office line connecting a customer with a foreign central office, from the common boundary line to the customer's station, for which a monthly charge is made in addition to the base rate for exchange service.

FOREIGN EXCHANGE SERVICE - Telephone exchange service furnished to a customer through a central office of an exchange other than the exchange regularly serving the area in which the customer is located.

GRADE OF SERVICE - The term used in describing exchange service with respect to the number of main telephones which may be connected to a central office line. (One-party, two-party, four-party, multi-party).

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DEFINITIONS

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**HARM** - Hazards to personnel, damage to Company equipment, and impairment of service to persons other than the user of the customer-provided equipment. Types of harm include, but shall not be limited to, voltages dangerous to personnel, destruction of or damage to equipment, induced noise or cross talk, incorrect dial pulsing, failure of supervision, false answer, incorrect billing, absence of voice band transmission path for call progress signals, and loss of capability to answer an incoming call.

**INDIVIDUAL LINE** - An exchange line coupled with the inside wire necessary for the connection of a telephone set.

**INITIAL SERVICE PERIOD** - The minimum length of time for which a customer is obligated to pay for service, facilities, and equipment, whether or not retained by the customer for such minimum length of time.

**JOINT USER SERVICE** - An arrangement whereby an individual, firm or corporation is permitted to use the service of another customer.

**LOCAL EXCHANGE SERVICE** - Telephone communication within Exchange Areas in accordance with the provision of the Company's Tariffs.

**LOCAL MESSAGE** - A completed communication between customers located within the same Exchange Area.

**LOCAL SERVICE AREA** - The area within which telephone service is furnished under a specific schedule of rates.

**MAINTENANCE VISIT CHARGE** - A charge applied when a service difficulty or trouble report results from customer provided equipment and/or inside wiring and not from the telephone company's facilities.

**MEASURED RATE SERVICE** - A service for which usage charges may apply.

**MILEAGE** - A measurement which charges are computed based upon distance.

**MINIMUM CONTRACT PERIOD** - The minimum length of time for which a customer is obligated to pay for service, facilities and equipment, whether or not retained by the customer for such minimum length of time.

**NON-RECURRING CHARGE** - A one-time charge associated with certain installations, changes or transfers of services, either in lieu of or in addition to recurring monthly charges.

**PREMISES** - The buildings, portion or portions of a building on continuous property used and/or occupied at one time by the customer in the conduct of their business or as a residence. Where floor space in adjoining buildings is made continuous at one or more floor levels, all floor space in both buildings is considered as the same premises insofar as the customer who uses and occupies such continuous floor space is concerned, the two buildings otherwise being considered as separate buildings.

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DEFINITIONS

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PRIVATE LINE - A circuit provided to furnish communication only between two or more terminals directly connected to it. Such terminals do not have access to the general exchange and interexchange networks.

RESIDENCE SERVICE - Telephone service furnished to customers when the actual or obvious use is not of a business, professional, or occupational nature.

SERVICE CONNECTION CHARGE - The charge a customer is required to pay at the time of the establishment of a class of telephone service or subsequent changes to that service.

SPECIAL RATE AREA - A portion of an exchange in which Special Base Rates apply.

STATION - Specific identifying number associated with a location on a communications system.

SWITCH - See Central Office.

TARIFF - The rates, charges, rules and regulations adopted and filed by the Company with the South Dakota Public Utilities Commission.

TELEPHONE COMPANY - See Company.

TERMINATION CHARGE - A charge applied under certain conditions, when a contract for service is terminated by the customer before the expiration of the minimum contract period.

TRUNK LINE - A circuit over which a customer's messages are sent between two central offices or between a central office and a private branch exchange system.

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LOCAL EXCHANGE SERVICE

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The rates for Local Exchange Service are subject to the conditions set forth herein and the General Regulations governing provision of service. The General Regulations are set forth in Section 2 of this tariff book.

Local Exchange Service

- A. The Local Exchange Service Rates in this section are for service only and do not include any terminal equipment beyond the point of demarcation.
- B. The rates applicable to Local Exchange Service are composed of a Line Access Rate component plus (where applicable) an Extended Area Service component.
- C. Service Upgrades
  - 1) All services have been upgraded to business individual line and residence individual line service.
  - 2) The rates shown on the rate schedule will be applied.
- D. Extended Area Service
  - 1) Establishment and discontinuance of EAS will be contingent upon Commission authorization.
  - 2) Extended Area Service rate component.
    - a) EAS is a premium-type service offering made by the Company to certain exchanges, under specific conditions.
    - b) The Extended Area Service rate component, where applicable, is included in the Local Exchange Service Rate.
- E. Taxes
  - 1) Applicable taxes levied by state, county and local taxing authorities are in addition to the rates set forth in this tariff. (See also General Regulations, Section 2).

LOCAL EXCHANGE SERVICE

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<u>Class of Service</u>	<u>Rates</u>	
	<u>Valley Springs Exchanges</u>	<u>North Larchwood Exchange</u>
BUSINESS:		
One Party - Access	\$ 21.55	\$ 9.15
Basic Coin Telephone Service	21.55	9.15
RESIDENCE:		
One Party - Access	11.30	5.65

All rates are billed in advance. Payment for service is due when the statement is rendered.



LOCAL EXCHANGE SERVICE

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RESERVED FOR FUTURE USE

LOCAL EXCHANGE SERVICE

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RESERVED FOR FUTURE USE

GENERAL SERVICES

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Index

	<u>Page</u>
Call Tracing	3
Custom Calling Features	40
Custom Local Area Signalling Service (CLASS)	5
Directory Assistance Service	13
Directory Listings	14
Emergency Calling System - 911	16
Employees' Telephone Service	21
Line Extension Charges	23
Link-Up Service Connection Program	28
Local Operator Service	30
Payphone Provider Service	33
Lifeline	37
Toll Restriction	38
Vacation Rate	39

GENERAL SERVICES

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RESERVED FOR FUTURE USE

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GENERAL SERVICES

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CALL TRACING

A. General

Call Tracing allows for the identification and recording of the telephone numbers of some or all of the incoming calls to the telephone line of a customer.

B. Definitions

1. Customer - means a person, firm, partnership, limited liability company, corporation, municipality, cooperative association or organization, governmental agency, or other entity receiving telecommunications service.
2. Customer-originated call-tracing service - means a customer-activated, call-specific form of call tracing available as part of a set of services called Custom Local Area Signaling Services (CLASS).
3. Emergency - means a situation that appears to present immediate danger to person or property.
4. Investigative or law enforcement officer - means an officer of the United States, a state, or a political subdivision of the United States or a state, which is empowered by law to investigate or make arrests for crimes related to communications, or an attorney authorized by law to prosecute those crimes.

C. Terms and Conditions

1. Call Tracing will be provided when requested by both a customer and an investigative or law enforcement officer and the customer has provided consent. Normally written consent will be required.

In emergencies, call tracing will be provided upon receiving oral consent from the customer. The customer will be requested to provide written consent promptly and advised to seek the assistance of an investigative or law enforcement officer.

2. Information regarding the originating telephone numbers will be disclosed only to investigative or law enforcement officers, not to customers receiving call-tracing services.
3. The company will work with investigative or law enforcement officers to determine how long call-tracing services should be provided.
4. The company may provide customer-originated call-tracing service (CLASS Call Trace) as an alternative to Call Tracing in response to a Call Tracing request from a customer who is located in an exchange where CLASS Call Trace is available and where Class Call Trace will function as accurately as Call Tracing.

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GENERAL SERVICES

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CALL TRACING (Continued)

D. Rates

1. Call Tracing Setup -
  - a. During Normal Business Hours \$ 1.00
  - b. Outside of Business Hours \$ 1.00
2. Extension of Call Tracing period at request of investigative or law enforcement agency No Charge
3. Provision of Call Tracing information to investigative or law enforcement agency No Charge

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GENERAL SERVICES

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CUSTOM LOCAL AREA SIGNALLING SERVICE (CLASS)

I. GENERAL

- A. Custom Local Area Signalling Services (CLASS) is a group of central office call management features offered in addition to basic telephone service. These enhanced custom calling features described below, allow customers to effectively manage call flow. This management is accomplished by the central office Signalling System 7 technology, which routes the calling party's telephone number from the central office originating the call to the terminating central office service the called party. That telephone number is held in network memory affording the called party options including identifying the calling number, answering the call and calling back to the call originator.
- B. The available features are described using the terminology used by the switch manufacturer. Marketing and promotional literature could contain less technical terms to describe the same features to the general public.

II. FEATURE DESCRIPTIONS

- A. **Repeat Dialing** – allows a customer to dial a code that will automatically redial the last number called from the customer's station. This applies regardless of whether the original call was answered, unanswered, or encountered a busy tone. The system monitors the calling and called lines and attempts to connect the call for up to 30 minutes or until completion or cancellation. Once both lines are idle, a distinctive ringing alerts the customer that the call is ready to be set up.

Call setup is performed when the calling subscriber answers the ringing. This feature will not work on 800 or 900 prefixed numbers, international calls, calls to a number with call forwarding active or lines with a non-unique directory number. To use per call blocking on a call placed using Repeat Dialing, the customer **must activate the per call blocking prior** to activating the Repeat Dialing feature.

- B. **Priority Ringing/Call Waiting** – this incoming call feature allows subscribers to define a list of 6 calling directory numbers, that provide the subscriber with special incoming call treatment. Any incoming calls on this list are indicated by a distinctive ringing pattern or a distinctive Call Waiting tone if the subscriber has Call Waiting. Terminating calls from telephone numbers which are not on the list, or which cannot be identified, will receive standard termination treatment.

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GENERAL SERVICES

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CUSTOM LOCAL AREA SIGNALLING SERVICE (CLASS) (Continued)

II. FEATURE DESCRIPTIONS (Continued)

- C. **Special Call Acceptance** – with this feature, the customer generated screening list routes calls not on the list to an announcement and shall be treated as calls that are not answered. Incoming calls on the screening list receive standard termination treatment. The feature can be activated or deactivated by the subscriber. The screening list can contain up to 16 directory numbers with the option of adding an additional 16 for a maximum of 32.

Call Forwarding will not work if the directory number is not contained on the Selective Call Acceptance screening list. Selective Call Forwarding and Selective Call Rejection take precedence over Selective Call Acceptance.

- D. **Customer Originated Trace (Call Trace)** - establishes a record of the originating directory number, time and date of a call when the subscriber activates this feature. Only the last incoming number can be traced. If a Call Waiting tone is received during a call the customer desires to trace, the Call Waiting call will be traced rather than the original call.

All customers receive this feature. Information on traced calls will only be released in accordance with Company and law enforcement procedures. See Section 5, of this tariff for the complete Customer Originated Trace procedures.

- E. **Calling Number Delivery** - will enable the customer to receive the 10-digit telephone number of the calling person, as well as the date and time of the incoming calls. The number is displayed on the customer-provided equipment capable of recognizing CLASS functions. If the calling party has marked their directory number as private, or if the directory number is unavailable, the called party's display is modified appropriately. Subscribers with the appropriate premise equipment can store and display the date, time and calling number of unanswered calls.



GENERAL SERVICES

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CUSTOM LOCAL AREA SIGNALLING SERVICE (CLASS) (Continued)

II. FEATURE DESCRIPTIONS (Continued)

- F. **Calling Number Delivery with Name** - the customer can view the name associated with the directory number of the incoming call along with the calling number before answering. The name is displayed on customer-provided equipment capable of recognizing CLASS functions. If the calling party has marked their directory number as private, or if the directory number is unavailable, the called party's display is modified appropriately. Subscribers with the appropriate premise equipment can store and display the date, time and calling name and number of unanswered calls.

International calls are generally incompatible with this feature.

- G. **Calling Number Delivery Blocking** - for outgoing calls, a customer can prevent the delivery of their directory number to the called party. The called party receives a "private" message instead of the calling party's number. Operator and 9-1-1 services take priority over Calling Number Delivery blocking. The code for this feature must be dialed prior to either Automatic Callback or Automatic Recall or the calling directory number and name will be displayed on the terminating end.

1. **Calling Number Delivery Blocking - Per Call** - allows a customer to control the disclosure of the incoming telephone number and name to a subscriber of Calling Number Delivery on a per call basis. **The customer must dial a code to activate per call blocking prior to making a call.**

2. **Calling Number Delivery Blocking - Per Line** - the number of that line will not be delivered to any subscriber of Calling Number Delivery. Once blocking is established on the customer's line, the "blocked" status can be deactivated **by the customer by dialing a code, before each call.** This action will result in displaying the telephone number and name to another subscriber of Calling Number Delivery.

- H. **Anonymous Call Rejection** - will be provided to all subscribers of Calling Number Delivery at no charge and in the inactive state. While the feature is activated, incoming blocked calls are routed to an announcement in the central office that will indicate that the called party has chosen to reject blocked calls and the call will not be completed.

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GENERAL SERVICES

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CUSTOM LOCAL AREA SIGNALLING SERVICE (CLASS) (Continued)

II. FEATURE DESCRIPTIONS (Continued)

- I. **Call Return** - by dialing an activation code, a subscriber directs the switch to recall the directory number of the last incoming call to the subscriber's set. At this time, the subscriber hears the directory number of the call prior to deciding whether or not to recall the number. If the call has been blocked, the subscriber will hear a recording indicating the caller is "Private" or "Anonymous." At no time, however, will any indication be given to the subscriber returning the last call as to the identification of the party who placed the last call. If the called station is busy, the system scans the called line for an idle condition. The scan continues for 30 minutes or until completion or cancellation. The calling station receives a distinctive ring when the called station is idle. Call setup is performed when the calling subscriber answers the ringing. This feature will not work on 800 or 900 prefixed numbers, international calls, calls to a number with call forwarding active or lines with a non-unique directory number. Only the last incoming call can be returned. To use per call blocking on a call placed using Call Return, the customer must activate the per call blocking prior to activating the Call Return. At no time will this feature return a blocked call.

III. CONDITIONS - GENERAL

- A. CLASS services are available to customers having technically compatible premise equipment. The Company is not responsible for the compatibility of products and services of outside vendors. The Company reserves the right to restrict or otherwise limit CLASS features where, in the Company's determination; (a) the feature(s) may create a potential incompatibility or, (b) provision of the feature(s) would require the establishment of new or additional Company procedures.

The Company has compatible CLASS products available for lease or purchase.

- B. CLASS services may not be available with CENTREX and PBX equipment.
- C. CLASS services, including blocking, are not available on public and semi-public telephone services.

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GENERAL SERVICES

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CUSTOM LOCAL AREA SIGNALLING SERVICE (CLASS) (Continued)

III. CONDITIONS - GENERAL (Continued)

- D. CLASS features require Signalling System 7 to function. Therefore, the offering of these features are restricted to those central offices properly equipped. These features are currently available in the following central office locations:

Valley Springs  
North Larchwood

- E. Non-published or non-listed numbers will be revealed unless the customer **activates blocking before each call**, or subscribes to per line blocking.
- F. These services are only available to single party Business and Residential customers and customer owned payphone lines.
- G. The Company will not return the answer supervision on toll calls that are attempting to reach their customers who have subscribed to the CLASS services.

IV. CONDITIONS - BLOCKING

A. **Per Call**

1. Blocking enables a customer to control the disclosure of telephone numbers to a subscriber of Calling Number Delivery. A customer **must dial an activation code before each call** to block delivery of number information.
2. Customers do not have to subscribe to Calling Number Delivery to use per call blocking.

B. **Per Line**

1. Per line blocking provides a permanent private indicator on a customer's line. The number of that line will not be delivered to any subscriber of Calling Number Delivery. Emergency 911 calls will not be affected.
2. The blocked status can be deactivated by the customer on a per call basis by dialing an activation code, **before** the call to be unblocked is dialed.

C. **Liability**

1. The Company cannot guarantee that Calling Number Delivery blocking, per call or per line will be successful. The sole liability of the Company due to errors, omissions, or mistakes, with respect to residential per line blocking, shall be to refund the non-recurring charge for the residential per-line blocking after the ninety day free period, if applicable.
2. The Company will not be liable for damages whether consequential, incidental or special.

GENERAL SERVICES

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CUSTOM LOCAL AREA SIGNALLING SERVICE (CLASS) (Continued)

IV. CONDITIONS - BLOCKING (Continued)

3. The name displayed shall be the name associated with the calling telephone number as shown on the Company's records. The Company may abbreviate or limit the name for display purposes.

The Company does not assure name accuracy, and it shall not be liable to any party for errors, omissions or mistakes. The Company's obligation shall be to reasonably correct errors in names when notified in writing of such errors.

V. CUSTOMER ORIGINATED TRACE (Call Trace)

- A. If a trace is successful, the Telephone Company's equipment will record the incoming call detail (not the conversation).
- B. The called party will not have access to the traced number, but this information will be available to law enforcement officials. The practices of law enforcement officials vary, and the Company does not represent that any action will be taken by such officials with regard to the traced number.
- C. The Company is not liable for damages if a trace attempt is not successful.
- D. If a customer makes or receives another call or Call Waiting indication after hanging up from the annoying call, prior to activating the trace, Call Trace will not record the correct number.
- E. When the trace is initiated, the telephone number of the tracing party is printed in a secure location along with the telephone number of the last received calling telephone number whether or not either number is non-published. Therefore, the tracing party waives the right to privacy of their telephone number in this instance.

After dialing the code, the customer receives a recording that indicates the trace was successful. The customer may then call the telephone company's local business office or the local law enforcement agency to further proceed with Call Trace. There the customer may speak to the representative about the harassing call. The originating telephone numbers of traced calls shall be released only to investigative or law enforcement officers.

Information on originating telephone numbers identified as harassing are released verbally or in writing to law enforcement. In the case where there has been no complaint filed by the customer, the law enforcement agencies are required to present a subpoena to obtain records.

For demonstrated abuse of the Call Trace service, Call Trace may be removed at the customer's request.

- F. The Call Trace record will be stored a minimum of 60 days after a successful activation of call trace.

GENERAL SERVICES

CUSTOM LOCAL AREA SIGNALLING SERVICE (CLASS) (Continued)

VI. RATE SCHEDULE

- A. The rates shown below are per feature, per line equipped. Additional rates and charges are applicable for Service Connection Charges as shown in the Local Exchange section of this tariff.

<u>CLASS Feature</u>	<u>Monthly Rate</u>		<u>Non Recurring Charge</u>
	<u>Business</u>	<u>Residence</u>	
Repeat Dialing	<u>\$ 3.50</u>	<u>\$ 3.00</u>	(3)
Call Return	<u>4.50</u>	<u>3.00</u>	(3)
Call Trace - Per Successful Activation	<u>1.00</u>	<u>1.00</u>	(4)
Screening Features:			
Priority Ringing	<u>3.50</u>	<u>2.75</u>	(3)
Special Call Acceptance	<u>3.50</u>	<u>2.75</u>	(3)
Selective Call Rejection	<u>1.50</u>	<u>1.50</u>	(3)
Calling Number Delivery	<u>7.50</u>	<u>4.50</u>	(3)
Calling Number Delivery with Name	<u>8.00</u>	<u>5.00</u>	(3)
Caller Identification Blocking:			
Per Call	<u>NC</u>	<u>NC</u>	(2)
Per Line	<u>NC</u>	<u>NC</u>	(1)
Anonymous Call Rejection	<u>NC</u>	<u>NC</u>	

1. Residential Line blocking will be available to customers at **no charge**.

Business Line blocking will be available at **no charge** for the following types of customers: Law enforcement agencies, shelters for battered persons, government agencies engaged in undercover operations, and business customers who have been accepted as having demonstrated a need for nondisclosure.

GENERAL SERVICES

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CUSTOM LOCAL AREA SIGNALLING SERVICE (CLASS) (Continued)

VI. RATE SCHEDULE (Continued)

Other business customers that do not fit the above requirements shall demonstrate to the Company a special need under criteria set forth below:

"Line blocking for business customers is available only for those business customers demonstrating a need. The demonstration of need is waived for law enforcement centers, programs for battered persons, and government agencies engaged in undercover operations. Other business customers wanting line blocking must demonstrate in writing that disclosure of the calling number could endanger the caller, other persons, or property. The Company will promptly notify the customer of its decision. A business customer who does not agree with the Company's decision may appeal in writing to the South Dakota Public Utilities Commission."

2. Per Call blocking will be provided at **no charge** to residential and business customers and will be provided on any line where it is technically possible expect on company owned payphones.
3. The non-recurring charges will consist of the Service Ordering Charge per line as shown in the Service Connection Charge section of this Tariff. One non-recurring charge covers all CLASS services purchased at one time.
4. All successful Call Traces activated by the customer will be billed \$1.00.
5. Anonymous Call Rejection will be provided at no charge to all residential and business customers who have subscribed to the Caller Identification features.

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GENERAL SERVICES

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DIRECTORY ASSISTANCE SERVICE

A. General

1. Telephone calls by customers for Inter-NPA telephone number listings will be answered and numbers given if the requested number is listed in the Directory Assistance records.
2. A maximum of two requested telephone numbers will be provided for each Directory Assistance call.
3. The Company shall not be liable for any errors or omissions, whether arising through negligence or otherwise, in the information furnished; and the customer shall indemnify and save the Company harmless against all claims (including costs and reasonable attorney's fees) that may arise from the use of such information.

B. Rates

1. The charge for each direct dialed call to Directory Assistance 

– Intrastate	\$.60
– Interstate	.85
2. Requests placed by dialing zero when normal Directory Assistance service is available (maximum of two requests per call) are subject to the rate for direct dialed calls plus the charge for other operator station-to-station Local Operator Assistance, as specified in this section.
3. Charges for Directory Assistance Service are not applicable to calls placed from customers whose physical, visual, mental or reading handicaps prevent them from using the telephone directory. The method of exempting those handicapped customers shall be via the completion of an exemption form and the telephone company's acceptance of that form.

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GENERAL SERVICES

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DIRECTORY LISTINGS

A. General

The following rates are applicable to the alphabetic section of the Telephone Directory, for business or residence customers.

B. Rates

	<u>Monthly Rate</u>
1. Additional or alternate listings, per listing	\$ 1.00
2. Unlisted service, per listing	1.00
3. Nonpublish service, per listing	1.00
4. Foreign exchange or non-subscriber service, per listing (See Condition 4)	1.00

C. Conditions

1. A Primary listing, which may include the name, address and telephone number of the individual, organization, firm or corporation for whom the service has been contracted, will be furnished at no charge.
  - a. Listings will be limited to such information as is necessary for proper identification.
  - b. The length of a listing may be limited by the use of abbreviations where the clarity of the listing and the identification of the customer will not be impaired.
  - c. The Company may refuse to insert any listing, which in its judgment does not facilitate the use of the directory.
2. An additional listing may include the same address and telephone number as the primary listing, except that a different address may be shown for off-premises stations located on other premises occupied solely by the customer.
  - a. Additional listings may be furnished with business or residence service for persons who occupy the same premises at the rates shown above. (See Joint User Service).



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GENERAL SERVICES

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DIRECTORY LISTINGS (Continued)

C. Conditions (Continued)

3. An alternate call listing refers a calling party to certain other telephone numbers after business hours or on Sundays or holidays or if there is no answer on the first listed number.
  - a. Where the alternate call number is to be that of another customer, the listing will be furnished only with written approval of the other customer.
4. A foreign or non-subscriber listing may be furnished customers requesting that their listing be included in a directory of an exchange other than that from which service is rendered. The rate for a foreign company listing will be the rate of the company in whose directory the listing appears.
  - a. Bold type foreign listings appearing in the serving companys' directories will be billed in accordance with the directory company's rates for "bold type listings".
5. Unlisted service is the omission of a customer's listing from the telephone directory only. It may be obtained from the information operator.
6. Nonpublish service is the omission of a customer's listing from both the telephone directory and information records.
  - a. When nonpublish service is to be furnished, the customer will hold the Company harmless from any damages which might arise, and will absolve the Company from any responsibility for the failure of the customer to receive calls because of the nonpublished listings.
  - b. The rate for a nonpublish service is specified in B. above.
  - c. No charge will apply to nonpublished numbers for customers having other listed services.
7. The charge for additional, alternate, unlisted or nonpublished listings begin on the day the information records are posted.
8. The length of contract period for directory listings, where the listing actually appears in the directory, is the directory period. The directory period is from the day on which the directory is distributed to the customers to the day the succeeding directory is distributed to the customers. Unless the listing no longer serves the customer because of disconnection, removal, etc., of the service, the minimum contract period will be for at least 30 days.

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GENERAL SERVICES

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EMERGENCY CALLING SYSTEM - 911

A. General

1. Emergency Calling System, also known as 911, is a telephone exchange communication service whereby one (1) or more Public Safety Answering Points (PSAP) designated by the customer may receive telephone calls dialed to the telephone number 911.
2. "911" Service is offered subject to availability of facilities.
3. The 911 customer may be a municipality, other state or local governmental unit or an authorized agent of one or more municipalities or other state or local government units to whom authority has been lawfully delegated. The customer must be legally authorized to subscribe to the service and have public safety responsibilities by law to respond to telephone calls from the public for emergency police, fire or other emergency services within the telephone central office areas arranged for 911 calling.

B. Definition of Terms

1. Automatic Location Identification (ALI) - A feature by which the name and address associated with the party's telephone number (identified by ANI feature later defined) is forwarded to the PSAP for display. Additional telephones with the same number as the calling party's (secondary locations, off premise, etc.) will be identified with the address of the telephone number at the main premises.
2. Local Location Identification (LLI) - The process of locating the origin of calls to a 911 system by means of a periodically updated database located and maintained at the PSAP.
3. Automatic Number Identification (ANI) - A feature by which the calling party's ANI telephone number only is forwarded to the PSAP display and transfer units via the telephone company 911 central office.
4. Public Safety Answering Point (PSAP) - An answering location for 911 calls originating in a given area. A PSAP may be designated as primary or secondary, which refers to the order in which calls are directed for answering. Primary PSAP's respond first.
5. Selective Routing (SR) - A feature that routes an 911 call from a central office to the primary PSAP based on the identified number and/or address of the calling party.

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GENERAL SERVICES

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EMERGENCY CALLING SYSTEM – 911 (Continued)

C. Rules and Regulations

1. 911 service is classified as Business Exchange Service and arranged for one-way incoming service to the PSAP.
2. This service is limited to the use of central office telephone number 911 as the universal emergency telephone number. Only one 911 Service will be provided within any one governmental locality.
3. The 911 emergency number is not intended to be a total replacement for local telephone service utilized by the various public safety agencies. These agencies will subscribe to Exchange Telephone Service as provided in the Local Exchange Tariff and other tariffs of the company.
4. This service is furnished to the customer only for the purpose of receiving emergency reports from the public.
5. 911 service is provided solely for the benefit of the customer operating the PSAP. The provision of 911 service by the Company shall not be interpreted, construed or regarded (either expressly or implied) as being for the benefit of or creating any Company obligation toward any third person or legal entity other than the customer.
6. The Company does not undertake to answer and forward 911 calls, but furnishes the use of its facilities to enable the customer's personnel to respond to such calls on the customer's premises.
7. 911 information consisting of the names, addresses and telephone numbers of subscribers whose listings are not published in directories or listed in Directory Assistance, is Company proprietary.
8. The calling party forfeits the privacy afforded by Private and Semiprivate Service to the extent that the telephone number, address and name associated with the originating telephone number location are furnished to the PSAP.
9. The rates charged for 911 Service do not contemplate the inspection or constant monitoring of facilities to discover errors, defects and malfunctions in the service, nor does the Company undertake such responsibility. The customer shall make such operational test, in the judgment of the customer, as required to determine whether the system is functioning properly for its use. The customer shall notify the Company promptly in the event the system is not performing properly.

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GENERAL SERVICES

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EMERGENCY CALLING SYSTEM – 911 (Continued)

C. Rules and Regulations (continued)

10. The Company's liability for any loss or damage arising from any errors, interruptions, defects, failures of equipment, service or malfunctions of this service or any parts thereof (whether caused by the negligence of the Company or otherwise) shall not exceed the greater of \$50.00 or an amount equivalent to the prorata charges for the service affected during the period of time that the service was fully or partially inoperative. These limited damages shall be in addition to any credit which may be given for an out-of-service condition as specified elsewhere in this tariff.
11. Each customer agrees to release, indemnify, defend, and hold harmless the Company from any and all loss, claims, demands, suits, other actions including attorneys' fees or any liability whatsoever, whether suffered, instituted or asserted by the customer or death of a person(s) or for any loss, damage or destruction of any property whether owned by the customer or others.
12. Because the Company's filed service boundaries and political subdivision boundaries may not coincide, it is the obligation of the customer to make arrangements to handle all 911 calls that originate from telephones served by central offices in the local service area, whether or not the calling telephone is situated on property within the geographical boundaries of the customer's public safety jurisdiction.
13. Application for 911 service must be in writing by each customer. If application for service is made by an agent, the Company must be provided in writing with satisfactory proof of appointment of the agent by the customer. At least one local law enforcement agency must be included among the participating agencies in any 911 offering.
14. The customer is required to furnish the Company its agreement to the following terms and conditions:
  - a. All 911 calls will be answered on a twenty-four (24) hour day, seven (7) day week basis.
  - b. The customer responsible for dispatching the appropriate emergency service within the 911 service area will undertake to transfer all 911 calls received to the governmental agency with responsibility for dispatching such services, to the extent that such services are reasonably available.
  - c. The customer will establish a procedure for handling calls not requiring public safety response.
  - d. The customer will subscribe to Local Exchange Service at the PSAP location for administrative purposes, for placing outgoing calls and for receiving other calls.
  - e. The customer will subscribe to or provide telephone equipment with a capacity adequate to handle the number of incoming 911 lines recommended by the Company.

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GENERAL SERVICES

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EMERGENCY CALLING SYSTEM – 911 (Continued)

C. Rules and Regulations (continued)

15. When the selective routing feature is provided, the customer is responsible for identifying primary and secondary PSAP locations and the unique combinations of police, fire and ambulance or any other appropriate agencies responsible for providing emergency service in the 911 serving area, and for associating the Company-provided Emergency Service Numbers (ESN) with the street address ranges or other criteria for selective routing of calls. ESNs will be carried in the Data Management System (DMS) to permit routing of 911 calls to the primary and secondary PSAP's responsible for handling of calls from each telephone in the 911 serving area. The following terms define the customer's responsibility in providing this information:
  - a. Initial and subsequent ESN assignments by street name, address range and area or other mutually agreed upon routing criteria shall be furnished by the customer to the Company prior to the effective date of service.
  - b. After the establishment of service, it is the customer's responsibility to continue to verify the accuracy of routing information contained in the master address file and to advise the Company of any changes in street names, establishment of new streets, changes in address numbers used on existing streets, closing and abandonment of streets, changes in police, fire, ambulance or other appropriate agencies jurisdiction over any address, annexations and other changes in municipal and county boundaries, incorporation of new cities or any other matter that will affect the routing of 911 calls to the proper PSAP.
  - c. The Company will provide to the customer on request (maximum of two requests per year) a complete written copy of the master address file to permit the customer to verify accuracy of the police, fire and ambulance PSAP routing designations.
  - d. Changes, deletions and additions which the customer desires to have made in the master address file should be submitted on an "as occurred" basis.
  - e. The Company will furnish a written copy to the customer for verification showing each change, deletion and addition to the master address file.

GENERAL SERVICES

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RESERVED FOR FUTURE USE

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GENERAL SERVICES

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EMPLOYEES' TELEPHONE SERVICE

A. General

Employees' Service is offered to all permanent employees at their residence telephones when such telephone service is provided by this Company.

B. Rates

1. Employees' Telephone Service is charged at one half the monthly local rate.
2. No charge will be made for installations, moves, or changes associated with employees' telephone service.
3. No concessions will be made to employees for toll messages.

C. Conditions

1. Employees' Telephone Service at their residence is available to employees of the Company. This service is not available when the employee resides in a boarding and/or rooming house.
2. One primary listing may be provided in the name of the employee.
3. Services provided to an employee at no charge will be included in wages as additional compensation where required by income tax regulations.

GENERAL SERVICES

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RESERVED FOR FUTURE USE



GENERAL SERVICES

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LINE EXTENSION CHARGES

A. General

Line extensions are the additions made to line facilities of the Company beyond those now existing up to the demarcation point.

B. Rates

	<u>Charge</u>
1. Line or extension and additions within the base rate area or special rate area:	
a. Extensions and additions to plant necessary to provide Normal telephone service.	No Charge
2. Line extensions and additions in the rural area:	
a. Additions to plant along existing exchange or toll telephone Circuits of the Company including poles and buried wire.	No Charge
b. Extension to plant beyond existing exchange or toll circuits of the Company along public roads or on private property: See Section 2, page 24, Special Construction	

C. Conditions

1. Applicability

- a. Payment for line extension charges are applied for the provision of service to applicants with abnormally long extension requirements to prevent unreasonable burdening of the existing customers. All line extensions will be owned and maintained by the Company.
- b. Line extension charges set forth in this schedule are applicable in connection with all classes, types, and grades of service, when established by means of an extension to the Company's plant consisting of "buried wire" or pole construction, including extensions by means of poles to be owned solely by the Company or jointly with others. The Company shall determine the type of construction to be used.

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GENERAL SERVICES

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LINE EXTENSION CHARGES (Continued)

C. Conditions (Continued)

2. Location and measurement of line extensions:

- a. The location and route of line extensions are determined by the Company, and the distance (excluding drop wire) is measured along the route so selected.
- b. Where the proposed construction is over private property and forms a part of a route to be used for serving customers in general, or the construction is on private property in lieu of on public roads, at the option of the Company, such construction shall be treated as being on public roads. (Any construction to serve two or more customers is considered as being used for serving customers in general).
- c. The total extension to facilities (along public roads or on private property) to be furnished without charge in the suburban area, shall not exceed 1,000 feet per applicant. Where the total extension exceeds 1,000 feet, the free footage allowance is first computed for the private property portion of the extension prior to computing any allowance for the construction along public roads.

3. Collective application and grouping of applicants:

- a. When construction is required to serve a new applicant, a survey may be made of all prospects who might be served from the new construction or an extension thereof and who could derive benefit by being included in the project. Allowances are made only for those prospective customers making application for service.
- b. All applicants may be grouped in a single project when there is no more than one-half mile of construction between successive applicants. Separate projects are established whenever the construction between any two successive applicants exceeds one-half mile. Two or more projects may be combined, however, whenever this results in lower charges (or no increase in charges) for all of the applicants involved.
- c. When an applicant requests service and makes application for service at more than one premise, the customer is treated as being a separate applicant at each premise for purposes of this schedule.

4. Apportionment of charges to group of applicants:

- a. Apportionment of charges are made only for those prospective customers making application for service.

5. Payment of charges:

- a. Line extension charges are payable in advance and, except as described in Conditions 7, 10 and 11, are not refundable.

GENERAL SERVICES

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LINE EXTENSION CHARGES (Continued)

C. Conditions (Continued)

6. Charges to subsequent applicants:

- a. When a new applicant is secured who can be served from a completed project, within three years from the date service was initially established for such project, the charges for the entire project are recomputed to include the new applicant. The new applicant pays a prorate of the line extension charge based upon a number of months (a fraction of a month is counted as a full month) remaining in the original three-year term, the time to be computed from the date service is established for the new applicant.
- b. Where additional construction is required for an applicant to be served from a project less than 3 years old, the cost of the project is recomputed as above if such recomputation does not increase the charges to those customers served from the existing project. Otherwise, a new project will be established.

7. Adjustment in charges when additional applicants are connected:

- a. When a project is recomputed as described in Condition 6 above, existing customers will be refunded a prorate of the difference between the original charges and the refigured charges, based on the remainder of the three-year term. Recomputation of charges due to the addition of new applicants is made on the assumption that there have been no disconnects.
- b. In the event the Company attaches interexchange toll facilities to the line extension within the three-year period, the Company will refund a prorated amount to cover the unexpired portion of the line extension charges for that part of the line extension facilities so used.
- c. Where construction on private property is subsequently treated as being on public roads, or where a private road is dedicated to the public use, within three years of completion of the original project, the line extension charges shall be recomputed and refunds made to the initial applicants where applicable.

8. Disconnects:

- a. When one or more customers on a project disconnect within the three-year term, no refund is made of the line extension charge to the disconnect customers. Charges to remaining customers are not affected by disconnects.

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GENERAL SERVICES

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LINE EXTENSION CHARGES (Continued)

C. Conditions (Continued)

9. Re-use of facilities:

- a. When a customer disconnects service or moves off the project and service is established for a new applicant at the same location, any adjustment in charges is a matter for negotiation between the original customer and the new applicant.
- b. Where a customer is disconnected for any reason and subsequently reapplies for service for the same premises, the customer will not be required to pay any additional line extension charges in addition to his total original obligation.
- c. Where a customer has paid line extension charges for service at a premise on a given project and subsequently applies for service at a different premise on the same project, the customer will not be assessed additional line extension charges greater than his original obligation unless additional construction is required.

10. Line extensions into real estate subdivisions:

- a. Line extensions into real estate subdivisions may be made by the Company, provided the estimated total cost of such extension is advanced to the Company by the subdivider. The amount so advanced will be refunded to the subdivider by payment of an amount equal to one year's exchange service charge for each service connected to such line extension within the subdivision during a period of five years from the date of agreement. No refunds will be made on any service not retained by the same customer for 12 consecutive months. Refunds will be made at the end of the service year. This condition does not relieve the Company from otherwise providing service to bona fide applicants for service residing within the subdivision.
- b. Adjustment of any substantial difference between the estimated cost advanced by the subdivider and the reasonable actual cost shall be made within 60 days after completion of the extension.

11. Temporary or speculative service:

- a. Line extension to provide service to an applicant engaged in temporary or speculative business may be made on the condition that applicant pays to the Company the total cost of the construction and removal of the line necessary in furnishing the service less the salvage value of the materials used.
- b. If a customer maintains for 36 consecutive months a service installation which was originally established on a temporary or speculative basis, and if his business or operation at the end of that time has proven its permanency to the satisfaction of the Company, there will be refunded to the customer an amount equal to the difference between the payment made pursuant to the above paragraph and the normal line extension charge which would have been applicable at the time the customer's service was installed.
- c. In no event shall service installation be classed as temporary or speculative for more than six years. Refund provisions of this condition apply at the end of no more than six years.

GENERAL SERVICES

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LINE EXTENSION CHARGES (Continued)

C. Conditions (Continued)

12. Contracts:

- a. Contracts, covering periods of not to exceed three years of telephone service, may be required by the Company as a condition precedent to the establishment of the service when line extensions are necessary. Such contracts will not require advance or unusual payments in excess of those otherwise required by this schedule, and shall not interfere with the Company's right to collect amounts as provided for elsewhere in its tariff schedules.

13. Saving clause:

- a. Arrangements may be made, other than as provided for above in this schedule, in the following cases subject to prior authorization of the Public Utilities Commission of the State of South Dakota, when required:
  - 1) Where the applicant requests a particular type of construction or a specific route for extensions to meet the applicant's special requirements and where the construction or route requested differs from the normal standards of the Company and is not required by law.
  - 2) Line Extension involving underground crossings of railroads, highways or power lines, submarine cable or long river crossings.
  - 3) Any other line extensions involving unusual or disproportionately large construction expenditures as compared to the usual line extension.

14. Disputes:

- a. In case of disagreement or dispute regarding the application of any provision herein, or in circumstances where the application of this rate appears impracticable, or unjust to either party, the Company, applicant or applicants may refer the matter to the Public Service Commission for ruling.

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GENERAL SERVICES

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LINK-UP SERVICE CONNECTION PROGRAM

1. Benefits

The Link-Up Service Connection Program is a federally sponsored lifeline assistance program designed to make telephone service accessible to low-income residential households who are currently not on the public switched network. Through this program, the service connection charge for the initial installation of the main access line, as described in Section 6, page 1, paragraph B, will be discounted to the applicant at a rate of 50 percent, not to exceed \$30.00. (The remaining portion of the service connection charge may be installment billed in equal increments.)

2. Eligibility Requirements

- a. This discount applies on a single line at the principal place of residence for the applicant.
- b. The consumer can receive the benefit of the Link-Up Service Connection Program for a second or subsequent time only for a principal place of residence with an address different from the residence address at which Link-Up assistance was provided previously.
- c. An applicant may defer payment of the service connection charges. Payment may be deferred up to 12 months with a payment schedule of equal payments for up to \$200.00 assessed for commencing service. Interest will not be charged on deferred payments. These charges do not include any permissible security deposit requirements.
- d. Applicant meets income requirements under criteria "e" or "f" below.
- e. Applicant can show current participation in one of the following assistance programs to his or her local exchange company:
  - Aid to Families with Dependent Children
  - Medical Assistance
  - General Assistance
  - Food Stamps
  - Refugee Cash Assistance or Refugee Medical Assistance
  - Energy Assistance; or
  - Supplemental Security Income.

Proof of eligibility must accompany the completed application form. Proof of eligibility can be made either in person at the local exchange company's business office or by mailing a copy of the applicant's proof of participation and enclosing that with a completed application to the local exchange company's business office.

GENERAL SERVICES

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LINK-UP SERVICE CONNECTION PROGRAM (Continued)

2. Eligibility Requirements (Continued)

- f. Applicant can show household income level of 150 percent or less of the federal poverty level. Household income is defined as total gross income from all sources for all members of the applicant's household.

The applicant must show verification of income requirements by showing previous calendar year's completed federal tax return(s) or proof that their household income level was below the federal level necessitating they file a tax return for the previous calendar year.

3. Credit and Collections

(A) Credit Reference

Credit verification procedures used for all applicants who apply for service with the Company will also be used for applicants who apply for service under the Link-Up program.

(B) Deposits

The deposit standards used for all applicants who apply for service with the Company will also be used for applicants who apply for service under the Link-Up program.

(C) Collection Standards

Once service has been established for a Link-Up applicant, he or she will be expected to adhere to the same bill payment policies expected of any other customer of the Company.

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GENERAL SERVICES

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LOCAL OPERATOR SERVICE

A. General

1. Local Operator Service is furnished to customers upon their request in order to complete local calls.
2. There are five classes of local service offered; Credit Card Calling, Operator Station Calls, Person to Person, Busy Line Verification and Busy Line Interrupt. When Operator assistance is required to complete a local call, the rates appearing under B. Rates will apply.
  - a. Credit Card Calling

Customer dialed "0+" calls and completed by the caller or completed by the operator that will be billed to the caller's credit card instead of the telephone originating the call.
  - b. Operator Station Calls

Customer dialed "0-" calls where the operator completes the call and arranges billing. Can be billed to the originating telephone number, credit card, collect or to a third number. Includes operator placed calls to Directory Assistance.
  - c. Person-to-Person calls

Customer dialed "0-" calls where the operator completes the call and arranges billing. Can be billed to the originating telephone number, credit card, collect or a third number.
  - d. Busy Line Verify

Customer requested operator assistance in determining if a called line is actually busy or out-of-service.
  - e. Busy Line Interrupt

Calls wherein the customer requests the operator to interrupt conversation on a busy line and give a message to the person whose line is being interrupted.
3. Customers who identify themselves as being disabled and unable to dial the call, will not be required to pay local operator service charges for sent paid station-to-station calls from public and semipublic coin telephones.



GENERAL SERVICES

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LOCAL OPERATOR SERVICE (Continued)

B. Rates

<u>Operator Services</u>	<u>Charge Per Call</u>
Credit Card Call	\$ 2.00
Operator Station Call	2.00
Person-to-Person Call	3.75

Local operator assistance charges will not apply to calls placed to the Company business office, Company repair service, emergency calls, 911 or the law enforcement and public safety agencies.

GENERAL SERVICES

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RESERVED FOR FUTURE USE

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GENERAL SERVICES

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PAYPHONE PROVIDER SERVICE

A. Description

1. Payphone Provider Service provides for the use of customer-provided coin operated or coinless telephones. Payphone Provider Service utilizes a voice grade business access line, Basic Coin Telephone Service, to connect the customer-provided equipment to the Company's central office.

B. Definitions

1. Basic Coin Transmission Dial Tone Line - A network access line used to connect customer-provided coin operated or coinless telephone equipment to and from the telecommunications network.
2. Coin Collection and Return - This coin signaling is provided by the network. Coin collection occurs when a call is completed. Coin return will return the coins to the calling party when a busy signal, or no answer is encountered.
3. Coin Supervision Additive - This is an optional feature provided from central offices that are equipped to provide this feature. The feature is provided when payphone equipment connected to the Basic Coin Transmission Dial Tone Line requires central office coin supervision capability. This feature provides the capability of central office line equipment to pass signals and/or tones from the Basic Coin Transmission Dial Tone Line to a trunk terminating at the Payphone Provider's operator service provider. These signals enable the operator service provider to recognize coin deposits and coin returns to the pay telephone user. The Coin Supervision Additive feature also permits a suitably equipped operator service provider to automatically ring back the originating local exchange service line upon completion of call.
4. Company - Is the utility named above.
5. Payphone Provider - Is the customer, or the Company, that subscribes to the Payphone Provider Service.

C. Rules and Regulations

1. The Payphone Provider Service is classified as business service. It is subject to the terms, rates and conditions applicable to business service as described elsewhere in this Tariff.
2. Applicable message charges are found in Section D.1.a will apply in all exchanges equipped with appropriate central office metering equipment. A fixed rate charge as found in Section D.1, following, will apply in all exchanges not equipped with metering equipment.

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GENERAL SERVICES

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PAYPHONE PROVIDER SERVICE (Continued)

C. Rules and Regulations (Continued)

3. The maximum of one payphone instrument may be connected to one Basic Coin Transmission Dial Tone Line. Extensions to this line are not permitted. A Payphone Provider must use a separate line for each payphone instrument installed and will be billed the tariffed rate for each line. Off-premise extensions are not permitted.
4. Directory listings may be provided under the regulations which provide for the furnishing of listings for business service.
5. Directories will be provided to the Payphone Provider on the same basis as business access lines.
6. The Company shall not be liable for shortages of coins deposited and/or collected from the Payphone Provider's payphone instrument.
7. The Company shall not be liable for the end-user fraud of any nature occurring at, or in association with, the Payphone Provider's payphone equipment.
8. Responsibility of the Payphone Provider
  - a. The Payphone Provider is responsible for the installation, operation and maintenance of the customer-provided instrument and any associated equipment such as booths, shelves, directories and any other ancillary equipment. The Payphone Provider is responsible for complying with the requirements of the Americans with Disabilities Act. The Payphone Provider is responsible for providing terminal equipment that is hearing aid compatible and meets all standards for handicapped users as required by law, including height restrictions.
  - b. It is the responsibility of the Payphone Provider to insure its terminating equipment is properly equipped if it desires the optional feature, Coin Supervision Additive.
  - c. The Payphone Provider is responsible for the payment of all charges originating, or accepted at this service, incurred through the use of the Basic Coin Transmission Dial Tone Line including local messages, toll messages, and calls to directory assistance. The Payphone Provider is responsible for any federal, state, or local taxes on the customer-provided payphone, or on calls made from that payphone.
  - d. The customer-provided payphone must be registered in compliance with Part 68 of the FCC's Registration program.

GENERAL SERVICES

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PAYPHONE PROVIDER SERVICE (Continued)

C. Rules and Regulations (Continued)

8. Responsibility of the Payphone Provider (Continued)

- e. The Payphone Provider is responsible for providing at no charge to the caller and without depositing coins:
  - 1. Access to dial tone,
  - 2. Access to 911 emergency services,
  - 3. Access to operators,
  - 4. Access to 800 numbers,
  - 5. Access to 10XXX numbers, and
  - 6. Access to telecommunications relay service calls for the hearing disabled.
- f. The Payphone Provider is responsible for posting and prominently displaying all information required by the Federal Communications Commission, or the South Dakota Public Utilities Commission.
- g. The Payphone Provider is responsible for compliance with the Rules and Regulations of the South Dakota Public Utilities Commission, or the Federal Communications Commission related to payphone service and equipment.
- h. Disconnection of Payphone Provider service due to a violation of the tariff will be pursuant to the Company's disconnection procedures.

D. Rates and Charges

The following rates and charges are for Payphone Provider Service only and are in addition to the rates and charges for any other service(s) required to furnish a communications system.

	<u>Non-Recurring Charge</u>	<u>Per Month</u>
1. Basic Coin Transmission Dial Tone Line <sup>1</sup>		
a. A message charge will be applied per local message originating over the above listed line.		Applicable B-1 Rate
2. Optional Features		
a. Coin Supervision Additive		\$ 2.00

<sup>1</sup> Tariffed charges/rates for a business access line as found in other sections of the Company's tariffs will also apply to Payphone Provider Service.

GENERAL SERVICES

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RESERVED FOR FUTURE USE

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GENERAL SERVICES

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LIFELINE

1. Definitions

Lifeline is the local service offering that is available to low income consumers, for which such consumers pay reduced charges as a result of the federal support described in 47 CFR § 54.403 and Sections 6 and 7 below, and that includes the services required to be provided for federal universal service support eligibility under 47 C.F.R. § 54.101.

2. Eligibility for the Federal Lifeline Credit

a. To qualify for the federal Lifeline credit the customer must be currently eligible for:

- Medicaid;
- Food stamps;
- Supplemental Security Income;
- Federal public housing assistance; or
- Low-Income Home Energy Assistance Program.

b. Eligibility will be established by the Company obtaining from a customer a document signed by the customer certifying under penalty of perjury that the customer receives benefits from one of the above programs and identifying the program or programs from which the customer receives benefits. On the same document, a qualifying low-income customer must also agree to notify the Company if the customer ceases to participate in the program or programs.

c. When the Company is notified by the customer that the Customer no longer participates in such a program, the federal credits to that customer's monthly charges shall cease beginning with the start of the billing cycle beginning in the month after the month in which notification is received.

3. Application of the Federal Lifeline Credits

a. Lifeline Customers - These customers should receive a credit of \$7.75 per month from the Lifeline program. The federal Lifeline credit shall be applied first to reduce the federal End-User Common Line Charge, with any remaining federal credit to be applied to reduce rates for residential service meeting the qualifications of 47 C.F.R. Section 54.101.

4. Regulations

a. The federal Lifeline credit will begin at the customer's earliest possible billing cycle but no later than the second billing cycle after the date the application for the federal Lifeline credit is received by the telephone company.

b. A Service Charge shall not be billed to establish qualification for the federal Lifeline credit.

5. Funding

The federal Lifeline credit is funded through the FCC universal service program.

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GENERAL SERVICES

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TOLL RESTRICTION SERVICE

A. GENERAL

1. Toll restriction service provides denial of outgoing long distance calls for central office access lines or trunks.
2. This service is provided only where central office capabilities permit the offering.

B. RATES

	<u>Monthly Rate</u>	<u>Nonrecurring Charge</u>
1. Toll Restriction Service (outgoing calls only)	\$ 2.00	*

C. CONDITIONS

1. The customer shall not be permitted to place outgoing calls to an operator or any part of the long distance network when this service is in effect.
2. Incoming calls are not restricted.

\* See applicable service charges.



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GENERAL SERVICES

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VACATION RATE

A. General

Vacation Rate Service is provided to residence and single line business customers whose requirements for telephone services are less than that which might normally be provided in any 12 month period.

B. Rates

1. The monthly rate will be based upon 50% of the regular rate for the basic and associated additional services suspended for a maximum of 180 days.
2. No other charges will apply for the suspension and subsequent restoral of service.

C. Conditions

1. Vacation Rate Service will be furnished under the following conditions:
  - a. Available to all grades of residence and single line business exchange service where the usage is of a seasonal nature.
  - b. Charges may be billed in total prior to the connection of service or monthly at the option of the Company.

GENERAL EXCHANGE PRICE LIST

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CUSTOM CALLING FEATURES

A. General

1. The specific custom calling features available are:
  - a. Call Waiting - provides notification to the subscriber while a conversation is in process that there is another call waiting the subscriber.
  - b. Call Forwarding - allows the subscriber to transfer calls automatically to a preprogrammed number. Calls forwarded beyond the local (toll free) calling area will be charged to the customer at the direct dial station-to-station rate.
  - c. Three Way Calling - allows the subscriber to call a third party and initiate a conference call.
  - d. Speed Calling - allows a subscriber to place a call dialing a one or two digit number. This feature is available on the basis of a short list which comprises 8 or a long list of 30 numbers.
  - e. Toll Restriction - allows for the subscriber to restrict a line from placing long distance calls.

B. Rates

	<u>Monthly Rate</u>	<u>Installation Charge</u>
1. Single Feature Service		
a. Call Waiting	\$ 1.00	(a)
b. Call Forwarding	1.00	(a)
c. Three-Way Calling	1.00	(a)
d. Speed Calling - 8 Number List	1.00	(a)
- 30 Number List	1.75	(a)
e. Toll Restriction	2.00	(a)

C. Package Rates

	<u>Monthly Rate</u>	<u>Installation Charge</u>
1. Any Three CCF - Residential	\$ 2.50	(a)
2. Any Three CCF - Business	6.50	(a)
3. All Four CCF - Residential	3.50	(a)
4. All Four CCF - Business	8.00	(a)

(a) - Regular service connection charges apply.

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GENERAL EXCHANGE PRICE LIST

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CUSTOM CALLING FEATURES (Continued)

D. Conditions

1. The initial service period for all features is one month.
2. Rates above are in addition to regular local service rates.
3. Transmission on calls forwarded and three-way calling may vary depending on the distance and routing necessary; therefore, transmission may not meet normal standards.

GENERAL EXCHANGE PRICE LIST

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RESERVED FOR FUTURE USE

GENERAL EXCHANGE PRICE LIST

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RESERVED FOR FUTURE USE

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SERVICE CONNECTION CHARGES

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A. GENERAL

1. Service connection charges are those charges associated with work performed by the Telephone Company in connection with the provisions of service for a customer.
2. Service connection charges are in addition to any other scheduled rates and charges. They apply in addition to and not in lieu of non-recurring charges or construction charges.
3. The charges herein do not contemplate work being performed by Company employees at a time when overtime wages apply due to the request of the customer, nor do they contemplate work begun being interrupted by a customer. If the customer requests overtime labor to be performed or interrupts work once begun, a charge in addition to the specified charge will be made equal to the additional cost involved.
4. The charges do not include work related to the installation or repair of customer owned equipment or inside wiring.

B. CHARGES

- |                         |                    |         |
|-------------------------|--------------------|---------|
| 1. Service Order Charge | - New Service      | \$ 6.75 |
|                         | - Existing Service | \$ 4.50 |

This charge includes the time and materials for the establishment of business office records and operator information records. Specifically, time involved in taking request, credit check, preparation and process of order, completing customer line card, completing customer information card and file folder, completing maintenance sheet, computer entries, as well as all work involved in modifying an existing record.

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|--|---------|
| 2. Central Office Connection Charge (Per Line) | \$ 6.25 |
|--|---------|

This charge will apply whenever work is required in Central Office. Includes time for frame wiring, testing, and routing of C.O.E., preparation or changes of associated records.

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|-------------------------|----------|
| 3. Premise Visit Charge | \$ 28.50 |
|-------------------------|----------|

This charge will apply whenever an installer must perform any function on a customer's premise up to and including the lightning arrestor (the demarcation point), including the travel from the serving office. It does not include normal maintenance work.

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SERVICE CONNECTION CHARGES

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B. CHARGES (Continued)

4. Maintenance Visit Charge	Regular Time	\$ 33.75/hour plus material
	Overtime	\$ 40.00/hour plus material
	Minimum Charge	\$ 33.75

This charge will apply for service calls by company employees to the customer's premises where a service difficulty or trouble report results from customer provided equipment and/or inside wiring and not from the telephone company's facilities.

5. Reconnect Charge	\$ 15.00
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This charge covers service order work applicable to existing service and central office connection charge.

6. Dishonored Check Charge	\$ 20.00
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This charge applies when any negotiable instrument presented for payment of service or deposit becomes dishonored, and is returned to the Telephone Company from the bank.

7. Rearrangement Charge for Drop Wire, Outside Circuit and/or Protector	\$ 33.75
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a. This charge covers the rearrangement of a drop wire, outside circuit and/or protector initiated by the action of a customer. An existing service order charge (\$4.00) and premise visit charge (\$30.00) as specified in this section will be applicable plus \$33.75 per arrangement.

b. Charges for rearrangements are not applicable if the rearrangement, move, or change is required by the Company for the continuation of satisfactory service.

8. New Installation Charge	\$ None
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This charge covers the time involved to install one average\* complete outside circuit initiated by the request of a subscriber to provide an average telephone circuit in accordance with industry standards. This charge includes all materials, men, and trenching equipment.

\*Average is defined as 600' of drop wire. If the installation exceeds the average length, the Line Extension charges in Section 5 also apply.

9. Collection Charge	\$ 30.00
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Charge made for the collection of a customer's account at the customer's premise.

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SERVICE CONNECTION CHARGES

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C. CONDITIONS

1. When business or residence service is established for a different customer and all of the facilities are reconnected in place without any change, only the applicable service connection charge(s) will apply to the entire service.
2. Service Connection Charges apply to residence or business premises for:
  - a. Establishing Service.
  - b. Reconnections or re-establishment of service.
  - c. Move of service from one premise to another.
  - d. Assumption of service with a change in responsibility or ownership.
  - e. Number change or grade of service change request by the customer.
3. Service Connection Charges DO NOT apply:
  - a. When a change is made and initiated by the Company, for the convenience of the Company, such as a change in grade of service, change in customer's telephone number, etc.
  - b. When telephone service is re-established at a secondary location immediately following the rendering of a customer's primary location as unfit for occupancy, due to fire, flood, etc. At the option of the Company, a different telephone number may be used.
  - c. When telephone service is suspended and subsequently restored for seasonal rate or vacation rate service.
4. Reconnect Charges Apply:
  - a. When service has been disconnected for nonpayment and satisfactory arrangements were not made prior to the preparation of a disconnect, charges will be made applicable as to work needed to make the disconnect.
  - b. When a customer is billed on a seasonal basis or pays only for portion of a calendar year without paying a vacation rate.
  - c. If service is disconnected for any reason and remains disconnected for six months or more, all applicable charges necessary to restore service will be made as if this was a request for new service.
5. Collection Charges Apply:
  - a. When a trip is made to a premise for the purpose of disconnect and the customer who is delinquent in their account pays the statement at that point in time to save their service from disconnect.
  - b. When a trip is necessary to a premise to make a collection of account or to collect cash to cover an NSF check by the Company in payment of service.





**South Dakota Public Utilities Commission**  
**WEEKLY FILINGS**  
**For the Period of April 1, 2004 through April 7, 2004**

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this report. Phone: 605-773-3201

**ELECTRIC**

**EL04-010      In the Matter of the Petition of Otter Tail Power Company for Approval of a Renewal of a Released Energy Tariff.**

Otter Tail Power Company (Otter Tail) is requesting the Commission renew its Released Energy Tariff. This tariff will expire on June 7, 2004. This renewal would allow Otter Tail to purchase energy from its large customers who curtail their load.

Staff Analyst: Keith Senger  
Staff Attorney: Karen Cremer  
Date Filed: 04/01/04  
Intervention Deadline: 04/23/04

**EL04-011      In the Matter of the Request for an Electric Service Rights Exception between the City of Pierre and Oahe Electric Cooperative, Inc.**

On April 1, 2004, the City of Pierre and Oahe Electric filed a joint request for approval of a service rights exception for service to an outdoor sign located adjacent to Highways 14 and 83. The sign is located in Oahe Electric's service territory, but the City has services closer to the sign. Both companies agree the service rights exception will promote the efficient and economical use and development of the electric system.

Staff Analyst: Michele Farris  
Staff Attorney: Karen Cremer  
Date Filed: 04/01/04  
Intervention Deadline: 04/23/04

**EL04-012      In the Matter of the Filing by the City of Pierre for Approval of its Revised Service Territory as a Result of Annexation.**

On April 1, 2004; the City of Pierre filed a request for approval of a territory boundary change due to annexation. On November 4, 2003, the City of Pierre annexed the north 236.6 feet of Outlot F-1 and all of Outlot F2 in the SW 1/4 SE 1/4 of Section 2, Township 110, Range 79, Pierre, South Dakota. The City has elected to purchase the electric facilities in the area annexed in accordance with SDCL 49-34A-50 from Oahe Electric Cooperative, Inc.

Staff Analyst: Michele Farris  
Staff Attorney: Karen Crèmer  
Date filed: 04/01/04  
Intervention Deadline: 04/23/04

**EL04-013      In the Matter of the Filing by Otter Tail Power Company for Approval of an Electric Service Agreement for the Supply of Bulk Interruptible Power between Otter Tail Power Company and Valley Queen Cheese Factory, Inc.**

Application by Otter Tail Power Company for re-approval of an Electric Service Agreement to service Valley Queen Cheese Factory, Inc. pursuant to Otter Tail's currently effective Bulk Interruptible Service Tariff. The current Electric Service Agreement between Otter Tail Power Company and Valley Queen Cheese Factory, Inc. expires June 1, 2004, and Otter Tail has requested approval of the new Agreement effective June 1, 2004. The term of the new proposed Electric Service Agreement is one year.

Staff Analyst: Dave Jacobson  
Staff Attorney: Karen Cremer  
Date Filed: 04/01/04  
Intervention Deadline: 04/30/04

**NATURAL GAS**

**NG04-001      In the Matter of the Application of MidAmerican Energy Company for Authority to Increase Rates for Natural Gas Service.**

Application by MidAmerican Energy Company for approval to increase rates for natural gas service in its service territory by \$1,559,963 or approximately 1.5% of pro forma test year revenue. MidAmerican states the proposed increase for an average residential customer would be approximately \$2.50 per month. The proposed rates may potentially affect approximately 73,100 customers in MidAmerican Energy Company's service territory in southeastern South Dakota.

Staff Analyst: Dave Jacobson  
Staff Attorney: Karen Cremer  
Date Filed: 04/02/04  
Intervention Deadline: 05/14/04

**TELECOMMUNICATIONS**

**TC04-073      In the Matter of the Application of Hills Telephone Company, Inc. for a Certificate of Authority to Provide Local Exchange Services in South Dakota.**

On April 5, 2004, Hills Telephone Company, Inc. filed an application for a Certificate of Authority to provide local exchange services in South Dakota. Hills intends to provide local telephone exchange services in the Valley Springs and North Larchwood, South Dakota local telephone exchanges. Hills has entered into an Agreement for the Purchase and Sale of Telephone Exchange, dated January 16, 2004, with Sioux Valley Telephone Company for acquisition of these exchanges. Hills and Sioux Valley have jointly requested the Commission's consent to and approval of that transaction in Docket TC04-040.

Staff Analyst: Michele Farris  
Staff Attorney: Karen Cremer  
Date Filed: 04/05/04  
Intervention Deadline: 04/23/04

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

**IN THE MATTER OF THE APPLICATION OF )  
HILLS TELEPHONE COMPANY, INC. FOR A )  
CERTIFICATE OF AUTHORITY TO PROVIDE )  
LOCAL EXCHANGE SERVICES IN SOUTH )  
DAKOTA )**

**ORDER GRANTING  
CERTIFICATE OF  
AUTHORITY**

**TC04-073**

On April 5, 2004, the Public Utilities Commission (Commission) received an application for a certificate of authority from Hills Telephone Company, Inc. (Hills).

Hills proposes to offer local telephone exchange services in Valley Springs and North Larchwood, South Dakota local telephone exchanges. A proposed tariff was filed by Hills.

On April 8, 2004, the Commission electronically transmitted notice of the filing and the intervention deadline of April 23, 2004, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled May 11, 2004, meeting, the Commission considered Hills' request for a certificate of authority. Commission Staff recommended granting a certificate of authority, effective June 4, 2004.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-69 and ARSD 20:10:32:03. The Commission finds that Hills has met the legal requirements established for the granting of a certificate of authority. Hills has, in accordance with SDCL 49-31-71, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota.

The Commission approves Hills' application for a certificate of authority, effective June 4, 2004. The certificate of authority for Hills shall authorize it to offer local exchange services in the Valley Springs and North Larchwood, South Dakota local telephone exchanges. It is therefore

ORDERED, that Hills' application for a certificate of authority to provide local exchange services in the Valley Springs and North Larchwood, South Dakota local telephone exchanges is granted, effective June 4, 2004; and it is

FURTHER ORDERED, that Hills shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 13<sup>th</sup> day of May, 2004.

<b>CERTIFICATE OF SERVICE</b>
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.
By: <u><i>Delaine Kelbo</i></u>
Date: <u>5/18/04</u>
(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

*Robert K. Sahr*  
ROBERT K. SAHR, Chairman

*Gary Hanson*  
GARY HANSON, Commissioner

*James A. Burg*  
JAMES A. BURG, Commissioner

# SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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## *CERTIFICATE OF AUTHORITY*

To Conduct Business As A Telecommunications Company  
Within The State Of South Dakota

Authority was Granted effective June 4, 2004  
Docket No. TC04-073

*This is to certify that*

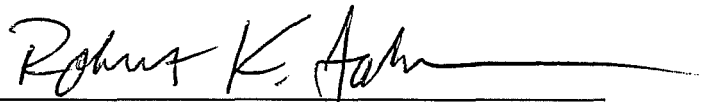
**HILLS TELEPHONE COMPANY, INC.**

is authorized to provide local exchange services in the Valley Springs  
and North Larchwood, South Dakota local telephone exchanges.

This certificate is issued in accordance with SDCL 49-31-69 and ARSD  
20:10:32:03, and is subject to all of the conditions and limitations contained in  
the rules and statutes governing its conduct of offering telecommunications  
services.

Dated at Pierre, South Dakota, this 13<sup>th</sup> day of May, 2004.

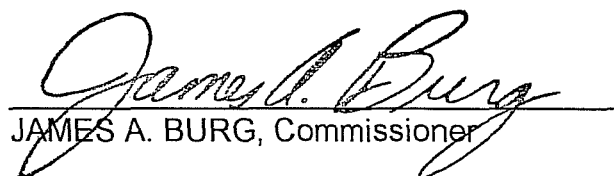
**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION:**



ROBERT K. SAHR, Chairman



GARY HANSON, Commissioner



JAMES A. BURG, Commissioner

