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MEMORANDUM TO COMMISSIONERS SAHR, HANSON AND BURG

FROM: Harlan Best

RE: Stockholm-Strandburg Telephone Co., Stockholm, SD
Switched Access Revenue Requirement, TC04-114

DATE: October 22, 2004

Stockholm-Strandburg Telephone Co. (Stockholm) filed an Intrastate Switched Access Cost Study pursuant to ARSD Chapters 20:10:27 to 20:10:29, inclusive on June 29, 2004, based on the twelve months ended December 31, 2003. The cost study submitted by Stockholm developed a revenue requirement of \$355,910. Stockholm's cost study does include an adjustment for uncollectibles. Stockholm's access minutes of use for 2003 were 1,324,242. Stockholm is a member of the Local Exchange Carrier Association (LECA). As a member of LECA, Stockholm's revenue requirement and access minutes of use are part of the total revenue requirement and total access minutes of use used in the determination of the Carrier Common Line, Local Switching, and Common Transport rate elements for LECA.

On July 1, 2004, the Commission electronically transmitted notice of the filing and the intervention deadline of July 16, 2004, to interested individuals and entities. No interventions were received by the Commission. On August 17, 2004, the Commission voted to assess Stockholm a \$1000 filing fee, subject to additional amounts as requested by the Executive Director up to the statutory limit of \$100,000. (Any questions regarding the amount expended should be addressed to Heather Forney.)

Staff has reviewed the cost study filed by Stockholm, sent data requests, and reviewed the responses submitted by Stockholm. Based on staff's review and the data responses the cost study submitted by Stockholm should be modified to assign additional vehicle investment and expense to nonoperating; to assign additional customer service expense to nonoperating; to amortize the nonrecurring cost study expense over three years; to amortize uncollectibles over three years; to remove contributions from the cost study; to reduce the filed uncollectibles by the amount received from NECA; to assign local number portability costs to the interstate jurisdiction; and to update the Department of Revenue's Gross Receipts Tax percentage.

The above adjustments reduce the revenue requirement of Stockholm to \$346,608. This revenue requirement is acceptable to Stockholm.

Respectively submitted: Harlan Best

cc John Coleman, Olsen Thielen & Co., Ltd consultant for Stockholm