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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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November 29, 2006

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Re: In the Matter of the Application of PrairieWave Telecommunications, Inc. for Designation as an Eligible Telecommunications Carrier in the Contiguous Wire Centers of Centerville and Viborg
Docket TC05-016

Dear Counsel:

Enclosed each of you will find a copy of Staff's Response to SDTA, PrairieWave, and Fort Randall's Briefs in the above captioned matter. This is intended as service upon you by mail.

Very truly yours,

Karen E. Cremer
Staff Attorney

Enc.

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

IN THE MATTER OF THE APPLICATION OF))	STAFF'S RESPONSE TO
PRAIRIEWAVE TELECOMMUNICATIONS, INC.))	SDTA, PRAIRIEWAVE, AND
FOR DESIGNATION AS AN ELIGIBLE))	FORT RANDALL'S BRIEFS
TELECOMMUNICATIONS CARRIER IN THE))	
CONTIGUOUS WIRE CENTERS OF))	TC05-016
CENTERVILLE AND VIBORG))	

Fort Randall Telephone Company (Fort Randall), PrairieWave Telecommunications, Inc. (PrairieWave), and the South Dakota Telecommunications Association (SDTA) have entered into a Stipulation of Facts and a Supplemental Stipulation of Facts. Fort Randall, PrairieWave, and SDTA (the Parties) have agreed that these two filings shall comprise the factual record upon which the Commission will make its determination as to whether or not PrairieWave should be granted eligible telecommunications carrier (ETC) status for the contiguous wire centers of Centerville and Viborg. All the Parties have filed briefs in this matter. Staff submits this brief in response to the Stipulation of Facts and Supplemental Stipulation of Facts as well as the previously filed briefs of the Parties.

STATEMENT OF THE CASE

On January 24, 2005, the South Dakota Public Utilities Commission (Commission) received a Petition for Designation as an Eligible Telecommunications Carrier from PrairieWave requesting the Commission to designate PrairieWave as an ETC for the rural, contiguous wire centers of Centerville and Viborg. Fort Randall and SDTA were granted intervention. On May 22, 2006, the Parties filed a Stipulation of Facts. On September 8, 2006, the Parties filed a Supplemental Stipulation of Facts.

ARGUMENT AND AUTHORITIES

The issue to be decided in this matter is whether the Commission should grant PrairieWave's Petition for Designation as an Eligible Telecommunications Carrier in the Centerville and Viborg wire centers. Staff has reviewed PrairieWave's Petition for Designation as an Eligible Telecommunications Carrier, its responses to Staff's data requests, the Stipulation of Facts as well as the Supplemental Stipulation of Facts. Staff believes that PrairieWave has met all but the public

interest standard for ETC designation as found in ARSD 20:10:32:43.07, therefore, Staff would recommend that the Commission deny PrairieWave's Petition for Designation as an Eligible Telecommunications Carrier.

The Commission adopted the current ETC rules as of July 10, 2006. ARSD 20:10:32:43.07, set forth below, states that the Commission shall consider whether the designation of an applicant as an ETC in a rural area will have detrimental effects on the provisioning of universal service by the incumbent local exchange carrier.

20:10:32:43.07. Public interest standard. Prior to designating an eligible telecommunications carrier, the commission shall determine that such designation is in the public interest. The commission shall consider the benefits of increased consumer choice, the impact of multiple designations on the universal service fund, the unique advantages and disadvantages of the applicant's service offering, commitments made regarding the quality of the telephone service provided by the applicant, and the applicant's ability to provide the supported services throughout the designated service area within a reasonable time frame. In addition, the commission shall consider whether the designation of the applicant will have detrimental effects on the provisioning of universal service by the incumbent local exchange carrier. If an applicant seeks designation below the study area level of a rural telephone company, the commission shall also conduct a creamskimming analysis that compares the population density of each wire center in which the applicant seeks designation against that of the wire centers in the study area in which the applicant does not seek designation. In its creamskimming analysis, the commission shall consider other factors, such as disaggregation of support pursuant to 47 C.F.R. § 54.315 (January 1, 2006) by the incumbent local exchange carrier.

(Emphasis added).

In this matter, designating PrairieWave as a second wireline ETC in the wire centers of Centerville and Viborg will have a detrimental effect on the provisioning of universal service by Fort Randall as is shown in the Supplemental Stipulation of Facts. Each time that PrairieWave captures an access line in the Centerville and Viborg wire centers, Fort Randall will lose money. The reason that Fort Randall will lose money is because it is an average schedule cost company for interstate federal universal service fund support.

As stated in the Supplemental Stipulation of Facts, Fort Randall receives its support on a total company basis as an average schedule company. In order to identify the impact of having two wireline LEC ETCs, it is necessary to first assume that the only change that will happen going forward is that PrairieWave will capture lines from Fort Randall. All else is assumed to remain unchanged. Currently, Fort Randall receives \$15.34 per line-per-month comprised of High Cost

Support, Interstate Common Line Support (ICLS), and Local Switching Support. The loss of lines would have the following impact on support received by Fort Randall, assuming that PrairieWave captured an additional 200 access lines (43% of the out-of-town customers or 18.9% of Fort Randall's total line count in Centerville and Viborg; 3.05 % of Fort Randall's total study area line count):

High Cost Loop: Fort Randall would lose approximately 55% of the High Cost Support revenue, or \$2.22 per line previously received if it lost 200 lines.

Interstate Common Line Support (ICLS): The actual cash flow that Fort Randall receives for ICLS support is included in the monthly CL settlement that Fort Randall receives from the NECA Pool. Assuming all else remains unchanged, Fort Randall would lose approximately 76 % of the CL settlement previously received for the lost lines or \$12.14 per line if it lost 200 lines.

Local Switch support: The actual cash flow that Fort Randall receives for Local Switching Support is included in the monthly Local Switch Settlement that Fort Randall receives from the NECA pool. Assuming all else remains unchanged and that the lost lines had average toll minutes associated with them, Fort Randall would lose approximately 37% of the Local Switch Settlement previously received for the lost lines, or \$4.86 per line if it lost 200 lines.

The ICLS and Local Switch support are paid by NECA, and because of the way that NECA pays settlements to average schedule companies, Fort Randall will lose revenues of \$19.22 per line, assuming a loss of 200 lines, which is more than the current per-line support. The annual lost revenues for these three support categories would be approximately \$46,000 out of approximately \$422,774 in interstate settlements for Centerville and Viborg, which is 10.9% of the amount now provided to Fort Randall for serving those exchanges, and 1.76% of the total interstate settlements (approximately \$2.6 million) received by Fort Randall for serving the entire study area. See Supplemental Stipulation of Facts, pgs. 1-2.

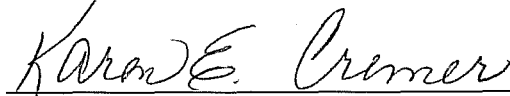
Based on these facts, Staff submits that it is not in the public interest to grant PrairieWave's Petition for Designation as an Eligible Telecommunications Carrier and would recommend denial of the petition.

CONCLUSION

As noted in paragraph 54 of the Stipulation of Facts, this Commission has not granted ETC status to a second wireline service provider in any rural telephone company service area. A plain reading of ARSD 20:10:32:43.07 leads to the conclusion that PrairieWave's designation as an ETC

in the rural, contiguous wire centers of Centerville and Viborg would not be in the public interest as Fort Randall would lose money each time that PrairieWave captured a customer from it. Staff recommends that the Commission find that PrairieWave's designation as an ETC in the rural, contiguous wire centers of Centerville and Viborg is not in the public interest and that the Commission deny PrairieWave's Petition for Designation as an Eligible Telecommunications Carrier.

Dated at Pierre, South Dakota, this 29th day of November, 2006.



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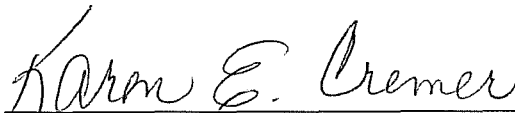
CERTIFICATE OF SERVICE

I hereby certify that copies of Staff's Response to SDTA, PrairieWave, and Fort Randall's Briefs were served on the following by mailing the same to them by United States Post Office First Class Mail, postage thereon prepaid, at the addresses shown below on this the 29th day of November, 2006.

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