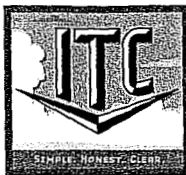


Cooperative, Inc.  
312 4th Street West  
P.O. Box 920  
Clear Lake, South Dakota 57226

INTERSTATE



COOPERATIVE, INC. TC06-092  
Phone: 605.874.21  
Fax: 605.874.21

E-Mail: info@itc-web.c

www.itc-web.c

RECEIVED

JUL 25 2006

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

July 24, 2006

Patricia VanGerpen  
PUC  
500 East Capitol Ave  
Capitol Bldg 1<sup>st</sup> Floor  
Pierre, SD 57501

Dear Patricia,

Enclosed please find an original and ten copies for the annual USF certification filing. Please email me that you received this at [bandemer@itctel.com](mailto:bandemer@itctel.com). Also, please let me know if you need anything else. My direct number is 605.874.8301.

Sincerely,

Interstate Telecommunications Cooperative, Inc.

A handwritten signature in cursive script that reads 'Tracy'.

Tracy Bandemer, CPA

Enclosures

1000-095  
RECEIVED  
JUL 25 2006  
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE  
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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

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

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

2. The certification required specifically for rural carriers to receive federal universal service support for all four quarters during calendar year 2007 is currently due to be filed with

the FCC and USAC on or before October 1, 2006. The certification may be presented to these entities in the form of a letter from the State Commission. The letter must identify which carriers in the State are eligible to receive federal support during the 12-month period and must certify that the carriers listed will only use the support for the provision, maintenance and upgrading of facilities and services for which the support is intended.

3. The Company is a rural telephone company that has previously been designated by this Commission as an ETC. The Company provides local exchange telephone services, including all of the essential services that are included in the federal definition of universal service, to approximately 13,961 access lines within its established rural service area in South Dakota.

4. As is required by the provisions of ARSD § 20:10:32:43.01, the Company is committed to providing service throughout its existing rural service area, or study area, to all customers making a reasonable request for service. The Company has since 1954 served as the incumbent local exchange carrier within its established service area and has operated as a “carrier of last resort” in such area. As the carrier of last resort, the Company already has extended wireline local exchange network facilities throughout its service area as necessary to make all essential local exchange services that are supported by federal universal service available to all end-user customers within its service area. Consistent with its past practice, the Company hereby certifies that it will provide service on a timely basis to all requesting customers within its designated ETC service area. In certain cases, the provisioning of this service may require a customer in a new location to first meet the requirements of the Company’s line extension policies. These line extension policies are, however, consistent with the requirement under both federal and state law to meet all reasonable requests for service.

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

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

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

- The Company's service quality improvement plan is to continue to upgrade its telecommunications facilities and equipment as necessary to meet evolving service

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

During calendar year 2005, the Company experienced the following service outages affecting at least 10 percent of its end user customers, for a period lasting longer than 30 minutes:

#### ICE STORM

- Date & Time - November 28, 2005, approximately 7 am
- Description – Major Ice storm outage in Eastern South Dakota.
  - Commercial power outage, multiple FITL cabinets serving rural areas lost power and storage. Batteries were drained and lost service temporarily.
  - Temporary fix for outside FITL cabinets to charge batteries was to rotate multiple portable generators from site to site to restore and maintain service.
- Services Affected – Voice and Data.
- Geographic area affected – Astoria, Bryant, Castlewood, Clark, Gary, Goodwin, Estelline, Florence, Hayti, Lake Norden, Webster, Waubay and Willow Lake.
- Steps taken to prevent a similar situation in the future –
  - Additional generators were acquired.
  - Additional battery strings in the Key FITL cabinets.
  - Optioning key standby generators for dual fuel
- Number of Customers affected – 3890 customers
  
- The Company was able to provide service to all potential customers that requested service during 2005, and as of December 31, 2005, the Company had no unfulfilled requests for service
  
- During 2005, the Company's customer service department received an estimated 10 complaints from consumers. None of these complaints were received by the Company

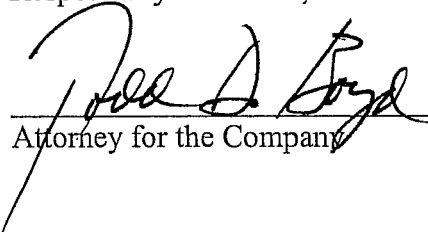
more formally as written complaints or as complaints that needed to be resolved with the involvement of other Company representatives outside of the customer service department.

- Also attached as "Exhibit C" is a document containing other certifications, including those required under the provisions of ARSD §§ 20:10:32:54(5), 20:10:32:54(6), 20:10:32:54(7) and 20:10:32:54(8).

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

Dated this 24th day of July 2006.

Respectfully submitted,

  
\_\_\_\_\_  
Attorney for the Company

**Exhibit A**

**EXHIBIT A**

*Interstate Telecommunications Cooperative, Inc.*

**Year 2005 Federal Universal Service Receipts:**

High Cost Loop Support	\$1,035,126
Local Switching Support	\$ 524,832
Safety Net Additive support	\$ 38,256
Safety Valve Loop Cost Adjustment	\$ <u>0</u>
<b>TOTAL</b>	<b>\$1,598,214</b>

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

	<u>Actual</u> 2005	<u>Estimated</u> 2007
<b>Plant Specific Operations Expenses</b>		
Network support (Accts 6110-16)	\$ 11,446	\$ 11,446
General support (Accts 6120-24)	\$ 455,219	\$ 477,980
Central office (Accts 6210-6232)	\$ 851,649	\$ 902,748
Cable and wire facilities (Accts 6410-41)	\$ 1,018,646	\$ 1,069,579
Network operations (Accts 6530-35)	\$ 319,419	\$ 335,390
Depreciation and amortization (Accts 6560-65)	\$ 4,932,189	\$ 5,332,189
<b>Customer Operations Expenses</b>		
Customer services (Accts 6620-23)	\$ 976,177	\$ 1,024,986
<b>Corporate Operations Expenses</b>		
Executive and planning (Accts 6710-12)	\$ 473,903	\$ 497,598
General and administrative (Accts 6720-28)	\$ 1,130,425	\$ 1,186,947
<b>Total Years Supported Expenses, Before Return on Investment</b>	<b>\$10,172,073</b>	<b>\$10,838,863</b>
<b>Additions</b>		
Switching (Acct 2210)	\$ 258,158	<i>(See Exhibit B, Two-Year Plan)</i>
Cable and wire (Acct 2410)	\$ 849,102	
<b>Total</b>	<b>\$ 1,107,260</b>	
<b>Total Supported Expenditures, Before Return on Investment</b>	<b>\$11,279,333</b>	

## Exhibit B

### EXHIBIT B - TWO-YEAR PLAN

ARSD 20:10:32:43.02

As part of its ongoing plan to upgrade and enhance its network, the Company anticipates the following capital expenditures over the next two years. The Company believes that its planned capital additions will improve the reliability of switched calls for its customers, assure CALEA compliance and increase the Company's network capacity to serve remote customers. The upgraded facilities will also be more cost-effective for the Company to maintain. Any federal high-cost universal service support the Company receives will help defray the following estimated costs for plant improvements and upgrades.

Wire Center	Description of Capital Improvement	Estimated Population Served by Improvement	Start Date	Completion Date	Estimated Capital Expenditures Each Year	
					2007	2008
Brandt	Cable Facilities		3/07	12/07	\$850,000	\$
Toronto	Cable Facilities		3/07	12/07	\$800,000	\$
Astoria	Cable Facilities		3/07	12/07	\$800,000	\$
White	Cable Facilities		3/07	12/07	\$900,000	\$
Gary	Switch Upgrade		4/07	5/07	\$250,000	\$
Estelline	Switch Upgrade		5/07	6/07	\$250,000	\$
Clear Lake	Cable Facilities		3/08	12/08	\$	\$1,700,000
Elkton	Cable Facilities		3/08	12/08	\$	\$1,000,000
Brookings	Cable Facilities		3/08	12/08	\$	\$2,000,000
Bradley	Cable Facilities		3/08	12/08	\$	\$900,000
Clear Lake	Switch Upgrade		1/08	4/08	\$	\$1,000,000

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

Wire Center
Bryant
Castlewood
Chester
Clark/Henry/Garden
City/Raymond
Florence
Goodwin
Hayti
Lake Norden
Nunda/Rutland
Sinai
Waubay
Webster
Wentworth
Willow Lake



Exhibit C

EXHIBIT C - AFFIDAVIT

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

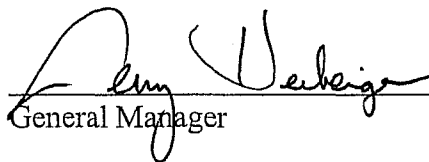
1. I am the General Manager of *Interstate Telecommunications Cooperative, Inc.* and am authorized to give this affidavit on behalf of the Company. This affidavit is provided to support the Company's Request for Certification to the South Dakota Public Utilities Commission as contemplated in 47 C.F.R.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

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

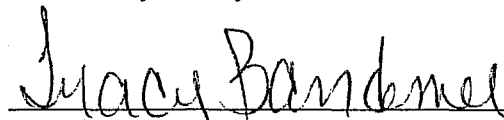
3. During 2005, the Company received federal universal service support as shown on Exhibit A to this affidavit and had investment and expenses relating to the provision, maintenance and upgrading of facilities and services for which such support was intended as also shown on Exhibit A. During 2005, the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

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

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

  
\_\_\_\_\_  
General Manager

Subscribed and Sworn to before me this 24th day of July 2006.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_  
My Commission Expires: September 10, 2010