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July 27, 2006

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Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
State Capitol Building  
500 East Capitol Avenue  
Pierre, SD 57501-5070

Re: ETC Filing - Midstate Telecom, Inc.  
Our File No. 2003.01

Dear Ms. Van Gerpen:

Please find enclosed for filing one original and eleven copies of the Annual ETC Certification Filing and Submittal Pursuant to ARSD § 20:10-32:53. Please return one file-stamped copy in the enclosed self-addressed, stamped envelope. Also please find enclosed a Certificate of Service signed by Ryan J. Taylor.

If you have any questions regarding this filing or require any clarification or further information, please feel free to contact me at your earliest convenience at (605) 335-4989. Thank you for your assistance and consideration in this matter.

Sincerely,

CUTLER & DONAHOE, LLP



Ryan J. Taylor  
For the Firm

RJT:dah  
Enclosures  
cc: Mark Benton, Midstate

IN THE MATTER OF THE REQUEST OF MIDSTATE TELECOM, INC. FOR CERTIFICATION REGARDING ITS USE OF FEDERAL UNIVERSAL SERVICE SUPPORT.	) ) ) ) ) )	CERTIFICATE OF SERVICE FOR ANNUAL ETC CERTIFICATION FILING AND SUBMITTAL PURSUANT TO ARSD § 20:10:32:53
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DEBORAH A. HOFFRAGE  
 SEAL NOTARY PUBLIC SEAL  
 SOUTH DAKOTA

**BEFORE THE  
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE REQUEST OF</b>	)	
<b>MIDSTATE TELECOM, INC. FOR</b>	)	<b>ANNUAL ETC CERTIFICATION</b>
<b>CERTIFICATION REGARDING ITS USE</b>	)	<b>FILING AND SUBMITTAL</b>
<b>OF FEDERAL UNIVERSAL SERVICE</b>	)	<b>PURSUANT TO ARSD § 20:10:32:53</b>
<b>SUPPORT.</b>	)	

Midstate Telecom, 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, Midstate Telecom, Inc. 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. Midstate Telecom, Inc. is a rural telephone company that was recently designated by this Commission as an ETC. Midstate Telecom, Inc. provides local exchange telephone services, including all of the essential services that are included in the federal definition of universal service, to approximately 1015 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, Midstate Telecom, Inc 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 2002 served as a competitive local exchange carrier within the Chamberlain service area and as recently as this month operated as a “carrier of last resort” in such area. As the carrier of last resort, the Company already has provided service throughout its service area as necessary to make all essential local exchange services that are supported by federal universal service available to 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 did not experience any service outages affecting at least 10 percent of its end user customers, for a period lasting longer than 30 consecutive minutes. In November of 2005, the area was hit by an ice storm. The storm knocked out the Chamberlain service area. This affected the whole Chamberlain service area at different times. Though the customers were out of service for more than 30 cumulative minutes, they were not out of service for more than 30 consecutive minutes. We had a repair person in our central office bring them up manually each time their service went down until permanent repairs could be made to their service. Permanent repairs were completed within 4 hours of initial outage.
- The Company did not have ETC status in 2005 and was not a carrier of last resort.
- During 2005, the Company's customer service department received an estimated 20 complaints from consumers. Only 3 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 Midstate Telecom, 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 27<sup>th</sup> day of July 2006.

Respectfully submitted,

CUTLER & DONAHOE, LLP  
Attorneys at Law



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## Exhibit A

### EXHIBIT A

MIDSTATE TELECOM, INC.

#### Year 2005 Federal Universal Service Receipts:

High Cost Loop Support	\$	0
Local Switching Support	\$	0
Safety Net Additive support	\$	0
Safety Valve Loop Cost Adjustment	\$	0
TOTAL	\$	0

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

	Actual 2005	Estimated 2007
<b>Plant Specific Operations Expenses</b>		
Network support (Accts 6110-16)	\$0	\$0
General support (Accts 6120-24)	\$15,626	\$11,330
Central office (Accts 6210-6232)	\$77,387	\$92,700
Cable and wire facilities (Accts 6410-41)	\$184,033	\$206,000
Network operations (Accts 6530-35)	\$25,217	\$9,270
Depreciation and amortization (Accts 6560-65)	\$0	\$
<b>Customer Operations Expenses</b>		
Customer services (Accts 6620-23)	\$118,357	\$144,200
<b>Corporate Operations Expenses</b>		
Executive and planning (Accts 6710-12)	\$54,125	\$61,800
General and administrative (Accts 6720-28)	\$74,662	\$87,550
<b>Total Years Supported Expenses, Before Return on Investment</b>	<b>\$549,409</b>	<b>\$612,850</b>
<b>Additions</b>		
Switching (Acct 2210)	\$0	(See <i>Exhibit B</i> , <i>Two-Year Plan</i> )
Cable and wire (Acct 2410)	\$0	
<b>Total</b>	<b>\$0</b>	
<b>Total Supported Expenditures, Before Return on Investment</b>	<b>\$549,409</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.

*Provide data for each wire center in the Company's service area where switching, exchange transmission equipment or cable and wire upgrades are planned.*

Wire Center	Description of Capital Improvement	Estimated Population Served by Improvement	Start Date	Completion Date	Estimated Capital Expenditures Each Year	
					2007	2008
Chamberlain	Switching	1015	01-01-07	01-31-07	\$48,200	\$
Chamberlain	OSP Expansion	1015	01-01-07	01-31-07	\$10,000	\$
Chamberlain	Switching	1015	01-01-08	01-31-08	\$	\$68,200
Chamberlain	OSP Expansion	1015	01-01-08	01-31-08	\$	\$10,000



Exhibit C

EXHIBIT C - AFFIDAVIT

STATE OF SOUTH DAKOTA     )  
  ) ss.  
COUNTY OF Brule


1. I am the General Manager of Midstate Telecom, 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.

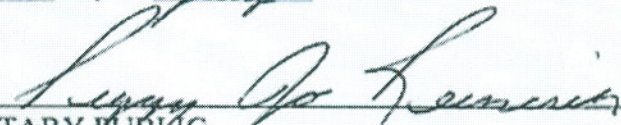
3. The Company did not receive federal universal service support in 2005 as shown on Exhibit A to this affidavit as we just received ETC status in July 2006. The Company had investment and expenses relating to the provision, maintenance and upgrading of facilities and services as shown on Exhibit A.

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 27 day of July 2006.

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

My Commission Expires: 4-27-12

