

MOSS & BARNETT

A Professional Association

FACSIMILE TRANSMITTAL LETTER

4800 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402-4129
Telephone 612 347 0300
Facsimile 612 339 6686
www.moss-barnett.com

This transmittal consists of 9 pages including this cover letter.

Original Will Follow by Federal Express

DATE: August 1, 2006

FILE NO.:

TO: Patricia Van Gerpen

FROM: Richard J. Johnson

COMPANY: South Dakota Public
Utilities Commission

DIRECT DIAL NO.: 612.347.0275

FACSIMILE NUMBER: 605-773-3809

TELEPHONE NUMBER: 605-773-3201

COMMENTS:

Attached is a copy of the Request for Certification of its use of Federal Universal Service Support for Valley Telephone Company. The original and ten copies will be sent Federal Express today for tomorrow morning delivery. Please call 612.347.0360 if you have any questions.

Jean Hunsinger
Paralegal

★If you do not receive all pages or are experiencing other problems in transmission, please call 612.347.0300. Thank you.★

CONFIDENTIALITY NOTICE:

The document(s) accompanying this fax contain confidential information which is legally privileged. The information is intended only for the use of the intended recipient. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or the taking of any action in reliance on the contents of the telecopied information except its direct delivery to the intended recipient named above is strictly prohibited. If you have received this fax in error, please notify us immediately by telephone to arrange for return of the original document to us.

MOSS & BARNETT

A Professional Association

4800 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402-4129
Telephone 612.347.0300
Facsimile 612.339.6686
www.moss-barnett.com

THOMAS A. KELLER III
JAMES E. O'BRIEN
EDWARD L. WINTER
WILLIAM A. HAUG
CHARLES A. PARSONS, JR.
RICHARD J. JOHNSON
ROBERT J. TUKES
JAMES A. KUBENSTEIN
THOMAS K. ZHEKAN
EDWARD J. BLOMME
JULIE E. WALSON
THOMAS J. SHROTER
DAVID P. JENDRZEJKA
CURTIS D. SMITH
DAVE E. SENCER
MITCHELL H. COX
MICHAEL J. BRADLEY
PETER A. KOJLEK
RICHARD J. KEBLER
KEVIN M. BUSCH
ELSON C. RHODE
THOMAS A. JUDD
DEANNE M. GRECO
CASS D. WEIL
ELLEN E. SCHUMANN
JANNA K. SEVERANCE
M. LUCILLA RAY
NANCY M. NISKIS
BARRY LAZARUS
PAUL D. ZISLA
BRIAN T. CROGAN
J. MICHAEL COLLOTON
JOSEPH C. MATERNOWSKI
JAYME D. LITTLEJOHN
MICHAEL K. NIXT
JAMES F. BALDWIN
DAVID S. JOHNSON
PHILIP J. YODIN
ARTHUR W. DICKINSON
BEN M. HENSCHL
LIAN LIPSCHULIZ
JOHN A. ROSSMAN
MARK B. PELLISON
MATTHEW M. MEYER
TIMOTHY L. GUSTIN
YURI B. BERNAT
DAVID L. RISEN
MARSHA S. JULI
MARCY R. FRISZ
MATTHEW D. JOHNSON
ELIZABETH H. KIERNAT
JAMES J. VEDDER
MICHAEL S. PONCIN
JANA AUNE DEACH
JENNIFER A. REUSNE
CINDY J. ACKERMAN
ANTHONY A. DORLAND
CHRISTOPHER D. STALL
JOSEPH L. SOCHA
GREGORY T. KOELLER
LORIE A. KLEIN
TRESSA A. WEST
JEFFREY L. HOFFENSTEINER
JULIA M. DAYTON
J. VINCENT STEVENS
BRADLEY J. HUNTZE

RICHARD J. JOHNSON
612.347.0275
JohnsonR@moss-barnett.com

August 1, 2006

VIA FACSIMILE AND FEDERAL EXPRESS

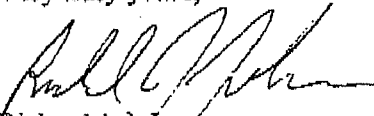
Patricia Van Gerpen
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, South Dakota 57501

Re: In the Matter of the Request of Valley Telephone Company for Certification Regarding
Their Use of Federal Universal Service Support
Docket No.:

Dear Ms. Van Gerpen:

Enclosed for filing please find the original and 10 copies of the Request for Certification
Regarding Their Use of Federal Universal Service Support by Valley Telephone Company in the
above-referenced docket. Also enclosed is a Certificate of Service.

Very truly yours,


Richard J. Johnson

OF COUNSEL
THOMAS E. HARMIS
ARTHUR J. CLASSMAN

RJ/jjh
Enclosures
cc: Rolayne Ailts Wiest
Dave Bickett
906724v1

**BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE REQUEST OF VALLEY TELEPHONE COMPANY FOR CERTIFICATION REGARDING ITS USE OF FEDERAL UNIVERSAL SERVICE SUPPORT.))))))	ANNUAL ETC CERTIFICATION FILING AND SUBMITTAL PURSUANT TO ARSD § 20:10:32:53
---	----------------------------	---

Valley Telephone Company (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 Federal Communications Commission ("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 200 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 1998 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: *(a) the date and time of onset of the outage- November 28, 2005 11:00am for 12 hours; (b) a brief description of the outage and its resolution- outage due to loss of commercial power and failure of standby generator- the generator was repaired and batteries recharged ; (c) the particular services affected- voice services; (d) the geographic areas affected by the outage was 50% of service territory in Roberts County; (e) the steps taken to prevent a similar situation in the future is do have routine maintenance of the generators; and (f) the number of customers affected approximately 100.*
- 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 no complaints from consumers. No complaints were received by the Company more formally as written

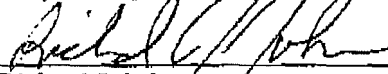
complaints or as complaints that needed to be resolved with the involvement of other Company representatives outside of the customer service department.

- 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 Valley Telephone Company 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 1st day of August 2006.

Respectfully submitted,



Richard J. Johnson

MOSS & BARNETT
4800 Wells Fargo Center
90 S Seventh Street
Minneapolis, MN 55402
Telephone: 612.347.0300

Attorneys for the Company

Exhibit A**EXHIBIT A**
*Valley Telephone Company***Year 2005 Federal Universal Service Receipts:**

High Cost Loop Support	\$ 18,980
Local Switching Support	\$ 25,094
Safety Net Additive support	\$
Safety Valve Loop Cost Adjustment	\$ <u>0</u>
TOTAL	\$ 44,074

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

	<u>Actual</u> 2005	<u>Estimated</u> 2007
Plant Specific Operations Expenses		
Network support (Accts 6110-16)	\$ 1,483	\$ 1,542
General support (Accts 6120-24)	\$ 1,586	\$ 1,650
Central office (Accts 6210-6232)	\$16,460	\$17,119
Cable and wire facilities (Accts 6410-41)	\$16,030	\$16,671
Network operations (Accts 6530-35)	\$11,438	\$11,895
Depreciation and amortization (Accts 6560-65)	\$ 2,352	\$ 2,446
Customer Operations Expenses		
Customer services (Accts 6620-23)	\$27,292	\$28,384
Corporate Operations Expenses		
Executive and planning (Accts 6710-12)	\$16,880	\$17,556
General and administrative (Accts 6720-28)	\$54,737	\$56,927
Total Years Supported Expenses, Before Return on Investment	\$148,258	\$154,190
Additions		
Switching (Acct 2210)	\$ 0	<i>(See Exhibit B,</i>
Cable and wire (Acct 2410)	\$ 1,117	<i>Two-Year Plan)</i>
Total	\$ 1,117	
Total Supported Expenditures, Before Return on Investment	\$149,375	

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
BrownValley	Broadband	50	May 07	Nov 08	\$ 30,000	\$ 30,000
					\$	\$
					\$	\$

Exhibit C

EXHIBIT C - AFFIDAVIT

STATE OF SOUTH DAKOTA)
) ss.
COUNTY OF OTTERTAIL _____)

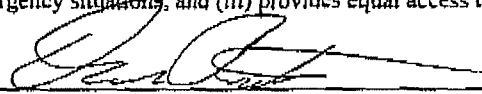
1. I am the General Manager/CEO of Valley Telephone Company and am authorized to give this affidavit on behalf of the Company. This affidavit is provided to support the Company's Request for Certification to the South Dakota Public Utilities Commission as contemplated in 47 C.F.R. § 54.314.

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(c).

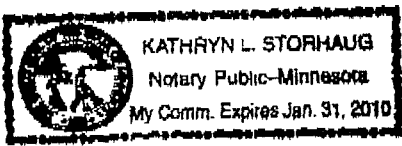
4. The Company will use the federal universal service support it receives during 2007 only for the provision, maintenance and upgrading of facilities and services for which the support is intended consistent with 47 U.S.C. § 254(e).

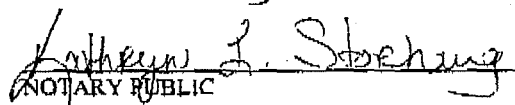
5. The Company (i) is in compliance with applicable service quality and consumer protection rules; (ii) is able to function in emergency situations; and (iii) provides equal access to long distance carriers.



Dave Bickett

Subscribed and Sworn to before me this 21st day of July 2006.





NOTARY PUBLIC
My Commission Expires: Jan. 31, 2010