

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE REQUEST OF HILLS TELEPHONE COMPANY, INC. FOR CERTIFICATION REGARDING ITS USE OF FEDERAL UNIVERSAL SERVICE SUPPORT. ANNUAL ETC CERTIFICATION FILING

Hills Telephone Company, 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 provisions of ARSD §§ 20:10:32:52 and 20:10:32:54 of the Commission's rules pertaining to eligible telecommunications carriers ("ETCs").

In accordance with 47 C.F.R. § 54.314, federal universal service support provided to carriers pursuant to 47 C.F.R. §§ 54.301, 54.305 and/or 54.307 and/or Part 36, Subpart F (high-cost loop support, local switching support, safety net additive support and safety valve support) will be made available only if the State Commission files the requisite annual certification with the FCC and USAC. The certification required specifically for rural carriers to receive federal universal service support for all four quarters during calendar year 2008 is currently due to be filed with the FCC and USAC on or before October 1, 2007. 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.

As part of its annual request to the Commission for certification, the Company provides the following information:

- 1. 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 470 access lines within its established rural service area in South Dakota.
2. 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 2006 Federal Universal Service Receipts" received by the Company. This same Exhibit also shows total expenditures of the Company in 2006 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 2008. Consistent with federal universal service principles, the Company will use federal universal service amounts received in 2008 to offset a portion of these 2008 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.

3. 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. The Company believes that its planned capital additions will improve the reliability of switched calls for its customers, increase the Company's network capacity to serve remote customers and provide customers with state-of-the-art telecommunications service. 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. A progress report on 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 2006, the Company experienced no service outages affecting at least 10 percent of its end user customers, for a period lasting longer than 30 minutes.
- The Company was able to provide service to all potential customers that requested service during 2006, and as of December 31, 2006, the Company had no unfulfilled requests for service.
- During 2006, the Company's customer service department received an estimated 8 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).

4. 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 *Hills Telephone Company, 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 2008. In order to ensure that this certification is

issued to the FCC prior to October 1, 2007, the Company would further ask the Commission to expedite the process that is initiated based on this filing.

Dated this 29th day of May 2007.

Respectfully submitted,



Attorney for the Company