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August 14, 2007

The Honorable Eddie Roberson, Chairman  
c/o Sharla Dillon, Docket Manager  
TENNESSEE REGULATORY AUTHORITY  
460 James Robertson Parkway  
Nashville, TN 37243-0505

RE: USF Self-Certification for 2008 – Docket: 07-00177

Dear Chairman Roberson,

Attached is the letter for Section 254(e) Certification of TDS Telecom companies to receive USF Disbursements for Year 2008 and Schedule A detailing the amounts of capital improvements made and expenses incurred in 2006.

Please contact me at (865) 671-4753 should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Bruce Mottern/kmh".

Bruce H. Mottern  
Manager – State Government Affairs

Enclosures

August 14, 2007

The Honorable Eddie Roberson, Chairman  
c/o Sharla Dillon, Docket Manager  
TENNESSEE REGULATORY AUTHORITY  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: Tennessee Telephone Company d/b/a TDS Telecom Self-Certification of Eligibility to  
Receive Universal Service Funds for Fiscal Year 2008, Docket No. 07-00177

Dear Chairman Roberson:

This letter is submitted on behalf of Tennessee Telephone Company d/b/a TDS Telecom, an independent rural Tennessee telephone company (the "Company"). The purpose of this letter is to request that, pursuant to 47 C.F.R. §54.314 of the rules of the Federal Communications Commission ("FCC"), the Tennessee Regulatory Authority (the "TRA") certify to the Universal Service Administrative Company ("USAC") and to the FCC that the Company is eligible to continue to receive federal high cost support in calendar year 2008.

In compliance with Ms. Standley's correspondence dated July 25, 2007, and for the reasons stated below, the Company hereby certifies that all federal high cost support, including high cost loop support, local switching support, high cost support received pursuant to the purchase of exchanges, high cost model support, and hold harmless support, that the Company is eligible to receive will be used 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) of the Telecommunications Act of 1996. Also in accordance with Ms. Standley's correspondence, the Company attaches information regarding the amount of federal Universal Service Fund ("USF") it received for Fiscal Year 2006 (Attachment A), and how those funds were allocated.

As discussed below, the needed certification is the result of FCC action and is required by October 1, 2007. In the absence of the certification, a rural telephone company would be deprived of its federal support for universal service at least through the first quarter of 2008. Because of this potential adverse impact on the Company, its customers, and Tennessee, the Company respectfully requests the TRA issue this certification, which is consistent with all lawful requirements, the past practice and procedure of the TRA, and the public interest.

## INTRODUCTION

The need for the above-described certification by the TRA arises as a result of the FCC's action in its docket, *In the Matter of Federal-State Joint Board on Universal Service, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45 and Report and Order in CC Docket No. 00-256, CC Docket No. 96-45/CC Docket No. 00-256, 16 FCC Rcd 11244 (2001)* ("FCC Order").

Specifically, the FCC adopted a requirement codified in 47 C.F.R. §54.314 that State Commissions must file an annual certification with the USAC and the FCC stating "that all federal high-cost support provided to such carriers [rural incumbent local exchange carriers and competitive carriers classified as eligible telecommunications carriers serving lines in an area of a rural incumbent local exchange carrier] will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended." The FCC did not specify a mechanism under which that certification

might be accomplished. Rather, the FCC left it open for the State Commissions and the carriers to develop an appropriate mechanism, and the TRA has done just that.

In previous years, the TRA has properly relied on the submission of the Company that demonstrated the method by which it received federal Universal Service Fund ("USF") disbursements. This demonstration, which is also provided below, fully satisfies the Company's obligation to demonstrate that its federal USF disbursements are used in a manner provided for in Section 254(e) of the Communications Act of 1934, as amended,<sup>1</sup> and Section 54.314 of the FCC's rules.

Accordingly, developing this request for certification, the Company has compiled information regarding the extent to which checks and balances currently exist governing the Company and all other interstate "average schedule" rural incumbent local exchange carriers receiving universal service support. The operation of these processes, as described in the "Background" section below, ensure that the USF directed to the Independent is both properly quantified and utilized in accordance with the provision and maintenance of the facilities and services for which the federal USF is intended.

## **BACKGROUND**

The federal USF disbursements received by the Company and other rural incumbent local exchange companies that are the subject of this certification are divided into two categories: Local Switching Support ("LSS"); and High Cost Loop Support ("HCLS"). The FCC in conjunction with the Federal-State Joint Board on Universal Service has created each of these mechanisms. This means that representatives from State Commissions have also been involved in the development of these mechanisms through their representation in the Joint Board process.

LSS rules established by the FCC use the embedded costs of the rural ILECs associated with switching investments, depreciation, maintenance, expenses, taxes and an FCC established rate of return. Again, this is based upon certified cost studies submitted by each rural ILEC and reviewed by NECA or FCC-prescribed average schedule formulae. This amount is used to offset the rural ILECs' interstate switching revenue requirement.

The HCLS for rural ILECs is based upon each company's embedded, unseparated loop costs or application of the average schedule formulae. These costs are calculated using a set of complex algorithms approved by the FCC, the inputs for which are scrutinized by NECA. Pursuant to the FCC Order, safety net additive support is support above the HCLS cap for carriers that make significant investment in rural infrastructure in years in which HCLS is capped. To receive safety net additive support, a rural carrier must show that growth in telecommunications plant in service (TPIS) per line is at least 14 percent greater than the study area's TPIS in the prior year. Carriers seeking to qualify for safety net additive support must provide written notice to USAC that a study area meets the 14 percent TPIS trigger.

All of these programs are administered through the USAC. USAC, as a private, not-for-profit corporation, is responsible for the administration of the federal USF that is established to provide every state and territory of the United States with access to affordable telecommunications service through the federal USF. USAC has contracted with NECA to assist in data collection necessary for the remittance of universal service funds. What this means is that each company submits, no less frequently than annually, detailed information requested by NECA in the USF data collection process. USF data used in the USF calculations by NECA must also be filed with the FCC in October of each year. This data contains the

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regulated financial inputs into the algorithm as well as the number of loops that will receive universal service support.

**TENNESSEE TELEPHONE COMPANY D/B/A TDS TELECOM  
RESPECTFULLY SUBMITS THAT IT  
QUALIFIES FOR THE NEEDED FOR §54.314 CERTIFICATION**

The Company respectfully submits that, given the number and nature of the checks and balances already in place, the TRA may lawfully and appropriately rely upon this self-certification by the Company. The requirements, procedures, and processes to which the Company adheres, as set forth above, provide the necessary and sufficient basis for the TRA to provide its certification to USAC and the FCC, and to thereby ensure that the Company and its customers will not be deprived of the USF funding to which the Company and its customers are entitled pursuant to all applicable rules and regulations. Essentially, under the existing rules and processes discussed above, the federal USF disbursements received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the rural ILEC's recovery of expenditures incurred in the provision, maintenance and upgrading of its provision of universal service.

In many respects, the required certification process is very similar to the self-certifications that were involved in the designation of the rural ILECs as eligible telecommunications carriers ("ETCs") in the initial instance. The TRA, consistent with the practices of other state utility authorities throughout the nation, utilized this process in the initial designation of ETCs, thereby fulfilling its right, as established by the Telecommunications Act of 1996, to designate a carrier as an ETC.

Accordingly, the grant of this request for certification is consistent with past practice and procedure. The very same procedure and process undertaken by the TRA that is valid for designation of the Company to be eligible to receive funds is also rationally valid as the basis for the necessary certification that the Company *will* use those funds, once received, for the purposes for which they are intended. Again, for the Company and other rural ILECs, there are processes and safety mechanisms in place that include audits of the information that is submitted to USAC and FCC to ensure that the basis for the calculation of the funds is appropriate.

The proposed grant of certification for the Company, as requested herein, is also consistent with the certification mechanism the FCC has established for carriers that are not regulated by state commissions. The FCC in the FCC Order set out a self-certification mechanism for those carriers (tribal entities and others that are not regulated by state commissions). See 16 FCC Rcd at 11318 (para.189). The Company, as discussed above, represents to the TRA that it adheres to and complies with all required processes, and that its expenditures of USF funds will be consistent with the applicable rules and foster the provision of facilities and services for which the funding is intended. This representation and affirmation by the Company to the TRA is consistent with that required by the FCC with respect to certification of a carrier not subject to the authority of the State.

**CONCLUSION**

The need to respond to the FCC's certification requirement in a timely and efficient manner is critical to the Company and other rural incumbent telephone companies, their customers and the public interest in general. Pursuant to the FCC's rules, if certification is not accomplished by October 1, 2007, then support for universal service in the areas served by the Company and other rural carriers within the State of Tennessee will not be provided for at least the first quarter of 2008. The resulting need to

The Honorable Eddie Roberson, Chairman  
TENNESSEE REGULATORY AUTHORITY  
August 14, 2007  
Page 4

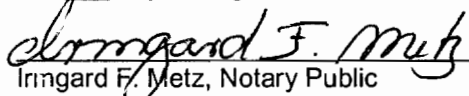
address the company's revenue deficiencies is otherwise unnecessary provided that timely certification is achieved.

The Company provides the representation and affirmation set forth above, together with the background information in support of the certification request and that attached, in order to assist the TRA in the timely implementation of the FCC's certification requirement in a manner that is consistent with all applicable rules and regulations, the TRA's past practices and procedures, and the public interest. Accordingly, the Company respectfully requests that the TRA afford this request for certification pursuant to §54.314 of the FCC's rules and regulations expedited consideration and grant.

Sincerely,

  
Kevin G. Hess  
Senior Vice President  
Government & Regulatory Affairs

Subscribed and sworn to before me  
this 14<sup>th</sup> day of August, 2007.

  
Iringard F. Metz, Notary Public  
Dane County, Wisconsin  
My Commission Expires May 8, 2011

**TDS TELECOM  
TENNESSEE TELEPHONE COMPANY  
2007 ETC CERTIFICATION FILING**

**Schedule A**

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**UNIVERSAL SERVICE FUND REVENUES RECORDED DURING 2006**

**Amount**

Total USF Recorded in 2006	HCL	\$ 33,775
	LTS	-
	LSS	-
	ICLS	2,639,808
		<u>\$ 2,673,583</u>

Source: GRA - Universal Service

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**CAPITAL ADDITIONS RECORDED IN 2006**

**Additions**

General Support Assets	\$ 586,256
Central Office Assets	5,938,137
Cable & Wire Facilities	3,693,681
Total Capital Additions Recorded in 2006	<u>\$ 10,218,074</u>

Source: 2006 Tennessee Regulatory Authority Annual Report, Page 4

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**OPERATING EXPENSES**

**2006**

Network Support Expense	\$ 89,254
General Support Expense	397,683
Central Office Switching	759,132
Central Office Transmission	588,877
Cable & Wire Facilities	2,518,419
Network Operations	3,876,296
Depreciation and Amortization	10,773,511
Customer Operations	6,402,719
Corporate Operating	9,171,438
Operating Other Taxes	3,758,190
Total Operating Expenses	<u>\$ 38,335,519</u>

Source - 2006 TRA Annual Report, Pages 9,10 and 11

August 14, 2007

The Honorable Eddie Roberson, Chairman  
c/o Sharla Dillon, Docket Manager  
TENNESSEE REGULATORY AUTHORITY  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: Tellico Telephone Company, Inc. d/b/a TDS Telecom Self-Certification of Eligibility to  
Receive Universal Service Funds for Fiscal Year 2008, Docket No. 07-00177

Dear Chairman Kyle:

This letter is submitted on behalf of Tellico Telephone Company, Inc. d/b/a TDS Telecom, an independent rural Tennessee telephone company (the "Company"). The purpose of this letter is to request that, pursuant to 47 C.F.R. §54.314 of the rules of the Federal Communications Commission ("FCC"), the Tennessee Regulatory Authority (the "TRA") certify to the Universal Service Administrative Company ("USAC") and to the FCC that the Company is eligible to continue to receive federal high cost support in calendar year 2008.

In compliance with Ms. Standley's correspondence dated July 25, 2007, and for the reasons stated below, the Company hereby certifies that all federal high cost support, including high cost loop support, local switching support, high cost support received pursuant to the purchase of exchanges, high cost model support, and hold harmless support, that the Company is eligible to receive will be used 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) of the Telecommunications Act of 1996. Also in accordance with Ms. Standley's correspondence, the Company attaches information regarding the amount of federal Universal Service Fund ("USF") it received for Fiscal Year 2006 (Attachment A), and how those funds were allocated.

As discussed below, the needed certification is the result of FCC action and is required by October 1, 2007. In the absence of the certification, a rural telephone company would be deprived of its federal support for universal service at least through the first quarter of 2008. Because of this potential adverse impact on the Company, its customers, and Tennessee, the Company respectfully requests the TRA issue this certification, which is consistent with all lawful requirements, the past practice and procedure of the TRA, and the public interest.

## INTRODUCTION

The need for the above-described certification by the TRA arises as a result of the FCC's action in its docket, *In the Matter of Federal-State Joint Board on Universal Service, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45 and Report and Order in CC Docket No. 00-256, CC Docket No. 96-45/CC Docket No. 00-256*, 16 FCC Rcd 11244 (2001) ("FCC Order").

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In previous years, the TRA has properly relied on the submission of the Company that demonstrated the method by which it received federal Universal Service Fund ("USF") disbursements. This demonstration, which is also provided below, fully satisfies the Company's obligation to demonstrate that its federal USF disbursements are used in a manner provided for in Section 254(e) of the Communications Act of 1934, as amended,<sup>1</sup> and Section 54.314 of the FCC's rules.

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### **BACKGROUND**

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**TELLICO TELEPHONE COMPANY, INC. D/B/A TDS TELECOM  
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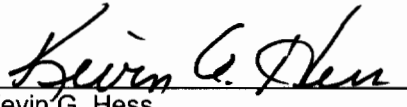
**CONCLUSION**

The need to respond to the FCC's certification requirement in a timely and efficient manner is critical to the Company and other rural incumbent telephone companies, their customers and the public interest in general. Pursuant to the FCC's rules, if certification is not accomplished by October 1, 2007, then support for universal service in the areas served by the Company and other rural carriers within the State of Tennessee will not be provided for at least the first quarter of 2008. The resulting need to address the company's revenue deficiencies is otherwise unnecessary provided that timely certification is achieved.


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TENNESSEE REGULATORY AUTHORITY  
August 14, 2007  
Page 4

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Sincerely,

  
Kevin G. Hess  
Senior Vice President  
Government & Regulatory Affairs

Subscribed and sworn to before me  
this 14<sup>th</sup> day of August, 2007.

  
Irmgard F. Metz, Notary Public  
Dane County, Wisconsin  
My Commission Expires May 8, 2011

**TDS TELECOM  
TELLICO TELEPHONE COMPANY  
2007 ETC CERTIFICATION FILING**

**Schedule A**

**UNIVERSAL SERVICE FUND REVENUES RECORDED DURING 2006**

		<u>Amount</u>
Total USF Recorded in 2006	HCL	\$ 339,471
	LTS	-
	LSS	322,836
	ICLS	536,688
		<u>\$ 1,198,995</u>

Source: GRA - Universal Service

**CAPITAL ADDITIONS RECORDED IN 2006**

	<u>Additions</u>
General Support Assets	\$ 41,863
Central Office Assets	495,628
Cable & Wire Facilities	404,716
Total Capital Additions Recorded in 2006	<u>\$ 942,207</u>

Source: 2006 Tennessee Regulatory Authority Annual Report, Page 4

**OPERATING EXPENSES**

	<u>2006</u>
Network Support Expense	\$ 9,204
General Support Expense	55,979
Central Office Switching	130,658
Central Office Transmission	149,022
Cable & Wire Facilities	515,910
Network Operations	598,398
Depreciation and Amortization	1,977,913
Customer Operations	991,931
Corporate Operating	1,361,149
Operating Other Taxes	749,038
Total Operating Expenses	<u>\$ 6,539,202</u>

Source - 2006 TRA Annual Report, Pages 9,10 and 11

August 14, 2007

The Honorable Eddie Roberson, Chairman  
c/o Sharla Dillon, Docket Manager  
TENNESSEE REGULATORY AUTHORITY  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: Humphreys County Telephone Company d/b/a TDS Telecom Self-Certification of  
Eligibility to Receive Universal Service Funds for Fiscal Year 2008, Docket No. 07-00177

Dear Chairman Roberson:

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**HUMPHREYS COUNTY TELEPHONE COMPANY D/B/A TDS TELECOM  
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The Company respectfully submits that, given the number and nature of the checks and balances already in place, the TRA may lawfully and appropriately rely upon this self-certification by the Company. The requirements, procedures, and processes to which the Company adheres, as set forth above, provide the necessary and sufficient basis for the TRA to provide its certification to USAC and the FCC, and to thereby ensure that the Company and its customers will not be deprived of the USF funding to which the Company and its customers are entitled pursuant to all applicable rules and regulations. Essentially, under the existing rules and processes discussed above, the federal USF disbursements received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the rural ILEC's recovery of expenditures incurred in the provision, maintenance and upgrading of its provision of universal service.

In many respects, the required certification process is very similar to the self-certifications that were involved in the designation of the rural ILECs as eligible telecommunications carriers ("ETCs") in the initial instance. The TRA, consistent with the practices of other state utility authorities throughout the nation, utilized this process in the initial designation of ETCs, thereby fulfilling its right, as established by the Telecommunications Act of 1996, to designate a carrier as an ETC.

Accordingly, the grant of this request for certification is consistent with past practice and procedure. The very same procedure and process undertaken by the TRA that is valid for designation of the Company to be eligible to receive funds is also rationally valid as the basis for the necessary certification that the Company *will* use those funds, once received, for the purposes for which they are intended. Again, for the Company and other rural ILECs, there are processes and safety mechanisms in place that include audits of the information that is submitted to USAC and FCC to ensure that the basis for the calculation of the funds is appropriate.

The proposed grant of certification for the Company, as requested herein, is also consistent with the certification mechanism the FCC has established for carriers that are not regulated by state commissions. The FCC in the FCC Order set out a self-certification mechanism for those carriers (tribal entities and others that are not regulated by state commissions). See 16 FCC Rcd at 11318 (para.189). The Company, as discussed above, represents to the TRA that it adheres to and complies with all required processes, and that its expenditures of USF funds will be consistent with the applicable rules and foster the provision of facilities and services for which the funding is intended. This representation and affirmation by the Company to the TRA is consistent with that required by the FCC with respect to certification of a carrier not subject to the authority of the State.

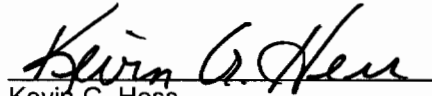
**CONCLUSION**

The need to respond to the FCC's certification requirement in a timely and efficient manner is critical to the Company and other rural incumbent telephone companies, their customers and the public interest in general. Pursuant to the FCC's rules, if certification is not accomplished by October 1, 2007, then support for universal service in the areas served by the Company and other rural carriers within the State of Tennessee will not be provided for at least the first quarter of 2008. The resulting need to address the company's revenue deficiencies is otherwise unnecessary provided that timely certification is achieved.

The Honorable Eddie Roberson, Chairman  
TENNESSEE REGULATORY AUTHORITY  
August 14, 2006  
Page 4

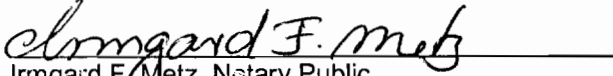
The Company provides the representation and affirmation set forth above, together with the background information in support of the certification request and that attached, in order to assist the TRA in the timely implementation of the FCC's certification requirement in a manner that is consistent with all applicable rules and regulations, the TRA's past practices and procedures, and the public interest. Accordingly, the Company respectfully requests that the TRA afford this request for certification pursuant to §54.314 of the FCC's rules and regulations expedited consideration and grant.

Sincerely,



Kevin G. Hess  
Senior Vice President  
Government & Regulatory Affairs

Subscribed and sworn to before me  
this 14<sup>th</sup> day of August, 2007.



Irmgard F. Metz, Notary Public  
Dane County, Wisconsin  
My Commission Expires May 8, 2011

**TDS TELECOM  
HUMPHREYS COUNTY TELEPHONE COMPANY  
2007 ETC CERTIFICATION FILING**

**Schedule A**

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<b>UNIVERSAL SERVICE FUND REVENUES RECORDED DURING 2006</b>		<u><b>Amount</b></u>
Total USF Recorded in 2006	HCL	\$ 203,717
	LTS	-
	LSS	48,588
	ICLS	87,780
		<u>\$ 340,085</u>

Source: GRA - Universal Service

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<b>CAPITAL ADDITIONS RECORDED IN 2006</b>	<u><b>Additions</b></u>
General Support Assets	\$ 3,450
Central Office Assets	92,182
Cable & Wire Facilities	20,541
Total Capital Additions Recorded in 2006	<u>\$ 116,173</u>

Source: 2006 Tennessee Regulatory Authority Annual Report, Page 4

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<b>OPERATING EXPENSES</b>	<u><b>2006</b></u>
Network Support Expense	\$ 861
General Support Expense	12,243
Central Office Switching	18,555
Central Office Transmission	40,367
Cable & Wire Facilities	63,182
Network Operations	124,223
Depreciation and Amortization	331,761
Customer Operations	154,007
Corporate Operating	250,569
Operating Other Taxes	303,973
Total Operating Expenses	<u>\$ 1,299,741</u>

Source - 2006 TRA Annual Report, Pages 9,10 and 11



August 14, 2007

The Honorable Eddie Roberson, Chairman  
c/o Sharla Dillon, Docket Manager  
TENNESSEE REGULATORY AUTHORITY  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: Concord Telephone Exchange, Inc. d/b/a TDS Telecom Self-Certification of Eligibility to  
Receive Universal Service Funds for Fiscal Year 2008, Docket No. 07-00177

Dear Chairman Roberson:

This letter is submitted on behalf of Concord Telephone Exchange, Inc. d/b/a TDS Telecom, an independent rural Tennessee telephone company (the "Company"). The purpose of this letter is to request that, pursuant to 47 C.F.R. §54.314 of the rules of the Federal Communications Commission ("FCC"), the Tennessee Regulatory Authority (the "TRA") certify to the Universal Service Administrative Company ("USAC") and to the FCC that the Company is eligible to continue to receive federal high cost support in calendar year 2008.

In compliance with Ms. Standley's correspondence dated July 25, 2007, and for the reasons stated below, the Company hereby certifies that all federal high cost support, including high cost loop support, local switching support, high cost support received pursuant to the purchase of exchanges, high cost model support, and hold harmless support, that the Company is eligible to receive will be used 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) of the Telecommunications Act of 1996. Also in accordance with Ms. Standley's correspondence, the Company attaches information regarding the amount of federal Universal Service Fund ("USF") it received for Fiscal Year 2006 (Attachment A), and how those funds were allocated.

As discussed below, the needed certification is the result of FCC action and is required by October 1, 2007. In the absence of the certification, a rural telephone company would be deprived of its federal support for universal service at least through the first quarter of 2008. Because of this potential adverse impact on the Company, its customers, and Tennessee, the Company respectfully requests the TRA issue this certification, which is consistent with all lawful requirements, the past practice and procedure of the TRA, and the public interest.

## INTRODUCTION

The need for the above-described certification by the TRA arises as a result of the FCC's action in its docket, *In the Matter of Federal-State Joint Board on Universal Service, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45 and Report and Order in CC Docket No. 00-256, CC Docket No. 96-45/CC Docket No. 00-256, 16 FCC Rcd 11244 (2001)* ("FCC Order").

Specifically, the FCC adopted a requirement codified in 47 C.F.R. §54.314 that State Commissions must file an annual certification with the USAC and the FCC stating "that all federal high-cost support provided to such carriers [rural incumbent local exchange carriers and competitive carriers classified as eligible telecommunications carriers serving lines in an area of a rural incumbent local exchange carrier] will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended." The FCC did not specify a mechanism under which that certification might be accomplished. Rather, the FCC left it open for the State Commissions and the carriers to develop an appropriate mechanism, and the TRA has done just that.

In previous years, the TRA has properly relied on the submission of the Company that demonstrated the method by which it received federal Universal Service Fund ("USF") disbursements. This demonstration, which is also provided below, fully satisfies the Company's obligation to demonstrate that its federal USF disbursements are used in a manner provided for in Section 254(e) of the Communications Act of 1934, as amended,<sup>1</sup> and Section 54.314 of the FCC's rules.

Accordingly, developing this request for certification, the Company has compiled information regarding the extent to which checks and balances currently exist governing the Company and all other interstate "average schedule" rural incumbent local exchange carriers receiving universal service support. The operation of these processes, as described in the "Background" section below, ensure that the USF directed to the Independent is both properly quantified and utilized in accordance with the provision and maintenance of the facilities and services for which the federal USF is intended.

### **BACKGROUND**

The federal USF disbursements received by the Company and other rural incumbent local exchange companies that are the subject of this certification are divided into two categories: Local Switching Support ("LSS"); and High Cost Loop Support ("HCLS"). The FCC in conjunction with the Federal-State Joint Board on Universal Service has created each of these mechanisms. This means that representatives from State Commissions have also been involved in the development of these mechanisms through their representation in the Joint Board process.

LSS rules established by the FCC use the embedded costs of the rural ILECs associated with switching investments, depreciation, maintenance, expenses, taxes and an FCC established rate of return. Again, this is based upon certified cost studies submitted by each rural ILEC and reviewed by NECA or FCC-prescribed average schedule formulae. This amount is used to offset the rural ILECs' interstate switching revenue requirement.

The HCLS for rural ILECs is based upon each company's embedded, unseparated loop costs or application of the average schedule formulae. These costs are calculated using a set of complex algorithms approved by the FCC, the inputs for which are scrutinized by NECA. Pursuant to the FCC Order, safety net additive support is support above the HCLS cap for carriers that make significant investment in rural infrastructure in years in which HCLS is capped. To receive safety net additive support, a rural carrier must show that growth in telecommunications plant in service (TPIS) per line is at least 14 percent greater than the study area's TPIS in the prior year. Carriers seeking to qualify for safety net additive support must provide written notice to USAC that a study area meets the 14 percent TPIS trigger.

All of these programs are administered through the USAC. USAC, as a private, not-for-profit corporation, is responsible for the administration of the federal USF that is established to provide every state and territory of the United States with access to affordable telecommunications service through the federal USF. USAC has contracted with NECA to assist in data collection necessary for the remittance of universal service funds. What this means is that each company submits, no less frequently than annually, detailed information requested by NECA in the USF data collection process. USF data used in the USF calculations by NECA must also be filed with the FCC in October of each year. This data contains the regulated financial inputs into the algorithm as well as the number of loops that will receive universal service support.

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<sup>1</sup> Section 254(e) of the Act states that a carrier that receives federal USF "shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended."

**CONCORD TELEPHONE EXCHANGE, INC. D/B/A TDS TELECOM  
RESPECTFULLY SUBMITS THAT IT  
QUALIFIES FOR THE NEEDED FOR §54.314 CERTIFICATION**

The Company respectfully submits that, given the number and nature of the checks and balances already in place, the TRA may lawfully and appropriately rely upon this self-certification by the Company. The requirements, procedures, and processes to which the Company adheres, as set forth above, provide the necessary and sufficient basis for the TRA to provide its certification to USAC and the FCC, and to thereby ensure that the Company and its customers will not be deprived of the USF funding to which the Company and its customers are entitled pursuant to all applicable rules and regulations. Essentially, under the existing rules and processes discussed above, the federal USF disbursements received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the rural ILEC's recovery of expenditures incurred in the provision, maintenance and upgrading of its provision of universal service.

In many respects, the required certification process is very similar to the self-certifications that were involved in the designation of the rural ILECs as eligible telecommunications carriers ("ETCs") in the initial instance. The TRA, consistent with the practices of other state utility authorities throughout the nation, utilized this process in the initial designation of ETCs, thereby fulfilling its right, as established by the Telecommunications Act of 1996, to designate a carrier as an ETC.

Accordingly, the grant of this request for certification is consistent with past practice and procedure. The very same procedure and process undertaken by the TRA that is valid for designation of the Company to be eligible to receive funds is also rationally valid as the basis for the necessary certification that the Company *will* use those funds, once received, for the purposes for which they are intended. Again, for the Company and other rural ILECs, there are processes and safety mechanisms in place that include audits of the information that is submitted to USAC and FCC to ensure that the basis for the calculation of the funds is appropriate.

The proposed grant of certification for the Company, as requested herein, is also consistent with the certification mechanism the FCC has established for carriers that are not regulated by state commissions. The FCC in the FCC Order set out a self-certification mechanism for those carriers (tribal entities and others that are not regulated by state commissions). See 16 FCC Rcd at 11318 (para.189). The Company, as discussed above, represents to the TRA that it adheres to and complies with all required processes, and that its expenditures of USF funds will be consistent with the applicable rules and foster the provision of facilities and services for which the funding is intended. This representation and affirmation by the Company to the TRA is consistent with that required by the FCC with respect to certification of a carrier not subject to the authority of the State.

**CONCLUSION**

The need to respond to the FCC's certification requirement in a timely and efficient manner is critical to the Company and other rural incumbent telephone companies, their customers and the public interest in general. Pursuant to the FCC's rules, if certification is not accomplished by October 1, 2007, then support for universal service in the areas served by the Company and other rural carriers within the State of Tennessee will not be provided for at least the first quarter of 2008. The resulting need to address the company's revenue deficiencies is otherwise unnecessary provided that timely certification is achieved.

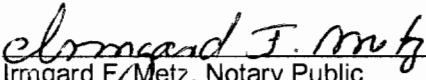
The Honorable Eddie Roberson, Chairman  
TENNESSEE REGULATORY AUTHORITY  
August 14, 2007  
Page 4

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Sincerely,

  
Kevin G. Hess  
Senior Vice President  
Government & Regulatory Affairs

Subscribed and sworn to before me  
this 14<sup>th</sup> day of August, 2007.

  
Irngard F. Metz, Notary Public  
Dane County, Wisconsin 8  
My Commission Expires May, 2011

**TDS TELECOM  
CONCORD TELEPHONE COMPANY  
2007 ETC CERTIFICATION FILING**

**Schedule A**

**UNIVERSAL SERVICE FUND REVENUES RECORDED DURING 2006**

		<u>Amount</u>
Total USF Recorded in 2006	HCL	\$ -
	LTS	-
	LSS	747,828
	ICLS	820,998
		<u>\$ 1,568,826</u>

Source: GRA - Universal Service

**CAPITAL ADDITIONS RECORDED IN 2006**

	<u>Additions</u>
General Support Assets	\$ 781,410
Central Office Assets	6,123,762
Cable & Wire Facilities	7,390,196
Total Capital Additions Recorded in 2006	<u>\$ 14,295,368</u>

Source: 2006 Tennessee Regulatory Authority Annual Report, Page 4

**OPERATING EXPENSES**

	<u>2006</u>
Network Support Expense	\$ 31,482
General Support Expense	275,149
Central Office Switching	254,109
Central Office Transmission	421,510
Cable & Wire Facilities	935,455
Network Operations	1,258,027
Depreciation and Amortization	5,053,006
Customer Operations	2,384,408
Corporate Operating	3,263,339
Operating Other Taxes	1,258,471
Total Operating Expenses	<u>\$ 15,134,956</u>

Source - 2006 TRA Annual Report, Pages 9,10 and 11