

**SOUTH DAKOTA NETWORK, LLC  
TARIFF F.C.C. NO. 1  
CENTRALIZED EQUAL ACCESS SERVICE  
2018 ANNUAL ACCESS TARIFF FILING  
DESCRIPTION AND JUSTIFICATION**

The accompanying tariff material includes descriptions of the corporate background and structure of South Dakota Network, LLC (SDN), the purpose of the present tariff filing, the tariffed services offered, the tariff support materials provided and the process employed by SDN to determine its interstate revenue requirement and calculate its proposed rate.

**CORPORATE BACKGROUND**

South Dakota Network, Inc., a South Dakota corporation, was incorporated on December 14, 1988. In 1999, the corporation merged with and into South Dakota Network, LLC, a South Dakota limited liability company. SDN provides centralized equal access and related services to interexchange carriers (IXCs) in rural areas of South Dakota. Its centralized equal access system has been fully operational since August 11, 1992. SDN operates a digital access tandem switch, necessary to provide centralized equal access service. SDN is wholly-owned by the South Dakota independent local exchange carriers (ILECs) that participate in its centralized equal access project. For purposes of SDN's interstate access tariff, these participating ILECs are referred to as Routing Exchange Carriers (RECs). The stock of SDN is presently owned by the following 17 South Dakota ILECs:

- Beresford Municipal Telephone Company
- Swiftel Communications
- CRST Telephone Company
- City of Faith Municipal Telephone
- Golden West Telecommunications Cooperative, Inc.
- Interstate Telecommunications Cooperative, Inc.
- James Valley Cooperative Telephone Company
- Kennebec Telephone Company, Inc.
- TrioTel Communications
- Midstate Communications, Inc.
- RC Technologies
- Santel Communications Cooperative, Inc.
- Alliance Communications Cooperative
- Venture Communications Cooperative
- Valley Telecommunications Cooperative Association, Inc.
- West River Cooperative Telephone Company
- West River Telecom Cooperative

None of these participating ILECs owns a majority or controlling ownership interest in SDN.

## **PURPOSE OF FILING**

The purpose of this tariff filing is to update SDN's Centralized Equal Access rate and to remove the transport rate element from the tariff pursuant to Special Permission No. 18-04.

## **SERVICES OFFERED**

SDN offers centralized switching services, including equal access service, to interexchange carriers at its centralized equal access tandem switch in Sioux Falls, South Dakota.

## **RATE STRUCTURE**

SDN's Centralized Equal Access Services offering is comprised of a Centralized Equal Access Service. SDN's Centralized Equal Access Service rate element constitutes its charge for the concentration and distribution services and equal access service provided by and through its centralized equal access tandem switch. This charge is assessed on a per minute of use basis for both originating and terminating traffic between Routing Exchange Carriers and IXC's. It applies to both originating and terminating directions.

## **RATE DEVELOPMENT**

SDN's interstate revenue requirement is projected for the July 1, 2018, through June 30, 2019, test year. This revenue requirement was determined by using a mechanized jurisdictional separation system, which incorporates Part 36 of the FCC Rules and Regulations. Part 36 is used to develop the interstate portions of forecasted investment and expense. The interstate portion of investment and expenses derived from Part 36 is allocated to the Centralized Equal Access Service rate element. Part 69 assigns the interstate data to the switching cost element. Return on investment was determined using a 10.5 percent rate and income taxes were computed based upon the 2018 tax tables and included so as to obtain SDN's total interstate revenue requirement. Demand estimates were derived for the Centralized Equal Access Service and used to calculate the switching rate. These estimates include both originating access minutes of use and terminating access minutes of use. The access revenue requirement was allocated to the Centralized Equal Access Service then divided by forecasted demand to produce the proposed tariffed rate for the switching and equal access service. The calculation and results of this process are shown in SDN's Section 61.38 cost support, which accompanies this filing. Dividing SDN's projected access revenue requirement for Centralized Equal Access service of \$680,855 by the projected access minutes of use of 130,770,574 produces a proposed Centralized Equal Access Service rate of \$0.004871.

Although SDN disputes the application of the Aureon Liability Order<sup>1</sup> and Tariff Order<sup>2</sup> to its tariff filing, SDN also determined a benchmark rate for its Centralized Equal Access Service. SDN used a benchmark of \$.002288 for tandem switching service from CenturyLink Tariff FCC No. 11

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<sup>1</sup> *AT&T Corp. v. Iowa Network Services, Inc. d/b/a Aureon Network Services*, Memorandum Opinion and Order, Proceeding No. 17-56, EB-17-MD-001 (rel. Nov. 8, 2017).

<sup>2</sup> *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, Memorandum Opinion and Order, WC Docket No. 18-60, Transmittal No. 36 (rel. July 30, 2018).

and a benchmark of \$.01195 for equal access service for a combined unified benchmark rate of \$.014203. SDN determined the equal access service benchmark based on the weighted average differential between premium and non-premium originating local switching rates in the NECA tariff<sup>3</sup> billed by the routing exchange carriers utilizing the tandem. SDN weighted the equal access benchmark by multiplying the respective routing exchange carriers' tariff rate by the originating interstate access minutes routed through SDN's tandem from January through July 2018.

The unified benchmark for switching and equal access service of \$.014203 is greater than SDN's cost-based rate. SDN's capped rate of \$.0062 also is greater than SDN's cost-based rate. Accordingly, SDN has filed its cost-based rate in this tariff.

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<sup>3</sup> See, National Exchange Carrier Association, Inc. Tariff F.C.C. No. 5, Page 17-11 and 17-11.1. Most of the Routing Exchange Carriers utilizing the SDN tandem switch participate in the NECA tariff.