

**SOUTH DAKOTA NETWORK, LLC
TARIFF F.C.C. NO. 1
CENTRALIZED EQUAL ACCESS SERVICE
2004 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 rates.

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, fiber optic lines and other transmission facilities 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 28 South Dakota ILECs:

- Alliance Communications
- Armour Independent Telephone Company
- Beresford Municipal Telephone Company
- Bridgewater-Canistota Independent Telephone Company
- Cheyenne River Sioux Tribe Telephone Authority
- City of Faith Municipal Telephone
- Golden West Telecommunications Cooperative, Inc.
- Interstate Telecommunications Cooperative, Inc.
- James Valley Cooperative Telephone Company
- Kennebec Telephone Company, Inc.
- Long Lines
- McCook Cooperative Telephone Company
- Midstate Communications, Inc.
- RC Communications, Inc.
- Roberts County Telephone Cooperative Association
- Santel Communications Cooperative, Inc.
- Sioux Valley Telephone Company
- Splitrock Properties
- Stockholm-Strandburg Telephone Company
- Swiftel Communications
- Tri-County Telcom, Inc.
- Union Telephone Company

- Valley Telecommunications Cooperative Association, Inc.
- Venture Communications Cooperative
- Vivian Telecommunications
- West River Cooperative Telephone Company
- West River Telecom Cooperative
- Western Telephone Company

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 Access Transport and Centralized Equal Access rate elements.

SERVICES OFFERED

SDN offers Feature Group A, Feature Group B and Feature Group D switched access services 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 two basic rate elements: a Centralized Equal Access Service element and an Access Transport element. SDN's Centralized Equal Access Service rate element constitutes its charge for the concentration and distribution services 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 all three Feature Groups in both originating and terminating directions. SDN's Access Transport rate element comprises its charge for transporting an IXC customer's traffic in either an originating or terminating direction between SDN's centralized equal access tandem switch (where the IXC customer's point of termination is located) and a Routing Exchange Carrier's point of interconnection. This charge is not distance sensitive, but rather is assessed on a per minute of use basis for both originating and terminating traffic. The Access Transport element is charged only when SDN provides transport facilities between the access tandem switch and the Routing Exchange Carrier's end offices.

RATE DEVELOPMENT

SDN's interstate revenue requirement is projected for the July 1, 2004, through June 30, 2005, 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 was then allocated between the Centralized Equal Access Service rate element and the Access Transport rate element utilizing a Part 69 cost allocation system. Part 69 assigns the interstate data to the various cost elements. Return on investment was determined using an 11.25 percent rate and income taxes were computed and included so as to obtain SDN's total interstate revenue requirement. Separate demand estimates

were derived for the Centralized Equal Access Service and Access Transport rate elements. These estimates include both originating minutes of use and terminating minutes of use. Forecasted miscellaneous revenues were subtracted from the total interstate revenue requirement to determine the access revenue requirement. The access revenue requirement was allocated between Centralized Equal Access Service and Access Transport and then divided by forecasted demand for each element to produce the proposed tariffed rate for each element. The calculations 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 \$2,721,744 by the projected minutes of use of 452,264,507, produces a proposed Centralized Equal Access Service rate of \$0.0060. Dividing SDN's projected access revenue requirement for Access Transport of \$8,616 by the projected minutes of use of 1,399,916, produces a proposed Access Transport rate of \$0.0062.