and 64.

All cost studies submitted by rural ILECs and all USF funding must be based upon financial statements. In addition, NECA performs focus reviews of cost studies as well as the USF filings for the cost companies involved in the NECA process. In addition, an officer of the rural ILEC must certify the accuracy and validity of the filed information.

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. All of the aforementioned information is available for inspection and review by the APSC.

Projected Use of High Cost Universal Service Funds in 2002

Based on preliminary projections, the Company estimates it will receive approximately $515,250 of federal high-cost universal service support in 2002. This amount is subject to subsequent adjustment based on end of period information, such as loop counts. The Company certifies that it will only use the federal high-cost support it receives during 2002 for the continued provision, maintenance and upgrading of facilities and service for which such support is intended as described in 47 C.F.R. Section 54.101. Those services, which are available to any customer in the Company's service area are: single-party voice grade access to the public switched network, unlimited local usage, dual-tone multi-frequency signaling or its functional equivalent, access to emergency services, including 911 service or enhanced 9-1-1 service, access to operator service, access to interexchange service, and access to directory assistance, and toll limitation for qualifying low-income customers.

The Company respectfully requests that the Commission notify the FCC prior to

October 1 of this year that the Company is eligible to receive federal high-cost support in 2002.

Any questions regarding this submission should be directed to Rod Ballard at (334) 240-3622.

Respectfully Submitted,

Pine Belt Telephone Company, Inc.

By: _____

Title: President

Date: August 14, 2001

BRANTLEY, WILKERSON & BRYAN, P.C.
ATTORNEYS AND COUNSELORS
405 SOUTH HULL STREET
MONTGOMERY, ALABAMA 36104
(334) 265-1500

PAUL A. BRANTLEY*
MARK D. WILKERSON
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*ALSO ADMITTED IN TENNESSEE

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FAX (334) 265-0319

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VIA HAND DELIVERY
The Honorable Walter Thomas
Alabama Public Service Commission
RSA Union Building
100 North Union Street
Montgomery, AL 36104

Re: Response to Request for Plans and Procedures For Projected Utilization of High-Cost Universal Service Support

Dear Mr. Thomas:

Enclosed for filing with the Commission are the original and ten (10) copies of responses by Ragland Telephone Company regarding anticipated utilization of high-cost universal service support, as required by the Commission's Order of July 13, 2001.

Thank you for your courtesies in this matter. Please direct any questions regarding the documents to my office.

Very Truly Yours,

Mark D. Wilkerson /lss

Mark D. Wilkerson

MDW/tms

Enclosures

Response of Ragland Telephone Company to Request for Plans and Procedures For Projected Utilization of High-Cost Universal Service Support

Ragland Telephone Company, Inc. (the "Company ") submits the following in response to this Commission's order of July 13, 2001 requesting that rural carriers submit plans and procedures detailing their projected use of high–cost universal service support in 2002. The Company requests that this Commission certify, pursuant to 47 C.F.R. §54.314, that the Company is eligible to continue to receive federal high cost support.

Overview of Procedures for Calculating High Cost Support

The Commission's July 13, 2001 Order was in response to the recent action of the Federal Communications Commission ("FCC") in its docket In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45/CC Docket No. 00-256, 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 (FCC 01-157) (released May 23, 2001) ("FCC Order"). Specifically, the FCC has adopted a requirement (to be codified in 47 C.F.R. §54.314) that state commissions must file an annual certification with the Universal Service Administrative Company and the FCC stating "that all federal high-cost support provided to [rural incumbent local exchange carriers] will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended." If certification is not accomplished by October 1, 2001, then federal support for universal service in the areas served by the rural carriers within Alabama will not be provided for at least the first quarter of 2002. See paragraph 191 of FCC Order.

The FCC did not specify a mechanism pursuant to which that certification is to be accomplished, rather leaving it open for the state commissions and the affected carriers to develop an appropriate mechanism. The actual amount of high cost funding for 2002 is uncertain, since final calculations depend on information generated during the funding year. By necessity, the Company is providing broad categories for the use of such high cost funds. However, as shown below, there are numerous safeguards at the federal and state levels to insure rural incumbent local exchange carriers receiving universal service support use it for the intended purpose.

The federal support received by rural incumbent local exchange companies is divided into three categories: Long Term Support ("LTS"); Local Switching Support ("LSS") and High Cost Loop Support ("HCLS"). All of these mechanisms have been created by the FCC in conjunction with the Federal-State Joint Board on Universal Service. This means that representatives from state commissions, including Alabama, have also been involved in the development of these mechanisms. LTS is a support mechanism for companies that participate in the interstate cost pool administered by NECA that promotes reasonable Carrier Common Line rates. The LTS calculation uses the interstate cost structure of a rural ILEC based upon annual interstate cost studies that are submitted and certified by the companies and received by NECA. The LTS is capped based upon an inflation factor as established by the FCC's rules. This amount, together with those revenues received from subscribers from the interstate Subscriber Line Charge ("SLC"), is used to offset the rural ILECs' interstate Carrier Common Line revenue requirement. The difference between that revenue requirement, again as set forth in the company's annual interstate cost study, less the LTS and SLC, make up the Carrier Common

Line rate which is charged to interexchange carriers.

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 rural ILEC's to NECA or the FCC. This amount is used to offset the rural ILECs' interstate switching revenue requirement. The revenue requirements set forth in the annual interstate cost studies make up the switching rates which are charged to interexchange carriers.

The HCLS for rural ILECs is based upon each company's embedded, unseparated loop costs. These costs are calculated using a set of complex algorithms approved by the FCC, the inputs for which are scrutinized by NECA.

All of these programs are administered through the Universal Service Administrative Company ("USAC"). USAC, as a private, not-for-profit corporation, is responsible for providing every state and territory of the United States with access to affordable telecommunications service through the Federal Universal Service Fund. 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.

The information that is submitted by rural ILECs must be attested to by the companies. Further, NECA and its auditors must attest to the validity and integrity of NECA's process. In other words, the ILEC cost studies and responses to data collection requests are subject to audit. The information provided in response to all of the universal service fund mechanisms utilizes FCC accounts for regulated costs and must be in compliance with FCC rules in Parts 32, 36, 54

and 64.

All cost studies submitted by rural ILECs and all USF funding must be based upon financial statements. In addition, NECA performs focus reviews of cost studies as well as the USF filings for the cost companies involved in the NECA process. In addition, an officer of the rural ILEC must certify the accuracy and validity of the filed information.

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. All of the aforementioned information is available for inspection and review by the APSC.

Projected Use of High Cost Universal Service Funds in 2002

Based on preliminary projections, the Company estimates it will receive approximately $302,987 of federal high-cost universal service support in 2002. This amount is subject to subsequent adjustment based on end of period information, such as loop counts. The Company certifies that it will only use the federal high-cost support it receives during 2002 for the continued provision, maintenance and upgrading of facilities and service for which such support is intended as described in 47 C.F.R. Section 54.101. Those services, which are available to any customer in the Company's service area are: single-party voice grade access to the public switched network, unlimited local usage, dual-tone multi-frequency signaling or its functional equivalent, access to emergency services, including 911 service or enhanced 9-1-1 service, access to operator service, access to interexchange service, and access to directory assistance, and toll limitation for qualifying low-income customers.

The Company respectfully requests that the Commission notify the FCC prior to

October 1 of this year that the Company is eligible to receive federal high-cost support in 2002.

Any questions regarding this submission should be directed to Rod Ballard at (334) 240-3622.

Respectfully Submitted,

Ragland Telephone Company, Inc.

By: Peggy A. Dickinson

Title: President

Date: August 17, 2001

BRANTLEY, WILKERSON & BRYAN, P.C.
ATTORNEYS AND COUNSELORS
405 SOUTH HULL STREET
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100 North Union Street
Montgomery, AL 36104

Re: Response to Request for Plans and Procedures For Projected Utilization of High-Cost Universal Service Support

Dear Mr. Thomas:

Enclosed for filing with the Commission are the original and ten (10) copies of responses by Roanoke Telephone Company regarding anticipated utilization of high-cost universal service support, as required by the Commission's Order of July 13, 2001.

Thank you for your courtesies in this matter. Please direct any questions regarding the documents to my office.

Very Truly Yours,

Mark D. Wilkerson /155

Mark D. Wilkerson

MDW/tms

Enclosures

Response of Roanoke Telephone Company to Request for Plans and Procedures For Projected Utilization of High-Cost Universal Service Support

Roanoke Telephone Company, Inc. (the "Company ") submits the following in response to this Commission's order of July 13, 2001 requesting that rural carriers submit plans and procedures detailing their projected use of high–cost universal service support for 2002. The Company requests that this Commission certify, pursuant to 47 C.F.R. §54.314, that the Company is eligible to continue to receive federal high cost support.

Overview of Procedures for Calculating High Cost Support

The Commission's July 13, 2001 Order was in response to the recent action of the Federal Communications Commission ("FCC") in its docket In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45/CC Docket No. 00-256, 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 (FCC 01-157) (released May 23, 2001) ("FCC Order"). Specifically, the FCC has adopted a requirement (to be codified in 47 C.F.R. §54.314) that state commissions must file an annual certification with the Universal Service Administrative Company and the FCC stating "that all federal high-cost support provided to [rural incumbent local exchange carriers] will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended." If certification is not accomplished by October 1, 2001, then federal support for universal service in the areas served by the rural carriers within Alabama will not be provided for at least the first quarter of 2002. See paragraph 191 of FCC Order.

The FCC did not specify a mechanism pursuant to which that certification is to be accomplished, rather leaving it open for the state commissions and the affected carriers to develop an appropriate mechanism. The actual amount of high cost funding for 2002 is uncertain, since final calculations depend on information generated during the funding year. By necessity, the Company is providing broad categories for the use of such high cost funds. However, as shown below, there are numerous safeguards at the federal and state levels to insure rural incumbent local exchange carriers receiving universal service support use it for the intended purpose.

The federal support received by rural incumbent local exchange companies is divided into three categories: Long Term Support ("LTS"); Local Switching Support ("LSS") and High Cost Loop Support ("HCLS"). All of these mechanisms have been created by the FCC in conjunction with the Federal-State Joint Board on Universal Service. This means that representatives from state commissions, including Alabama, have also been involved in the development of these mechanisms. LTS is a support mechanism for companies that participate in the interstate cost pool administered by NECA that promotes reasonable Carrier Common Line rates. The LTS calculation uses the interstate cost structure of a rural ILEC based upon annual interstate cost studies that are submitted and certified by the companies and received by NECA. The LTS is capped based upon an inflation factor as established by the FCC's rules. This amount, together with those revenues received from subscribers from the interstate Subscriber Line Charge ("SLC"), is used to offset the rural ILECs' interstate Carrier Common Line revenue requirement. The difference between that revenue requirement, again as set forth in the company's annual interstate cost study, less the LTS and SLC, make up the Carrier Common Line rate which is charged to interexchange carriers.

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 rural ILEC's to NECA or the FCC. This amount is used to offset the rural ILECs' interstate switching revenue requirement. The revenue requirements set forth in the annual interstate cost studies make up the switching rates which are charged to interexchange carriers.

The HCLS for rural ILECs is based upon each company's embedded, unseparated loop costs. These costs are calculated using a set of complex algorithms approved by the FCC, the inputs for which are scrutinized by NECA.

All of these programs are administered through the Universal Service Administrative Company ("USAC"). USAC, as a private, not-for-profit corporation, is responsible for providing every state and territory of the United States with access to affordable telecommunications service through the Federal Universal Service Fund. 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.

The information that is submitted by rural ILECs must be attested to by the companies. Further, NECA and its auditors must attest to the validity and integrity of NECA's process. In other words, the ILEC cost studies and responses to data collection requests are subject to audit. The information provided in response to all of the universal service fund mechanisms utilizes FCC accounts for regulated costs and must be in compliance with FCC rules in Parts 32, 36, 54 and 64.

All cost studies submitted by rural ILECs and all USF funding must be based upon financial statements. In addition, NECA performs focus reviews of cost studies as well as the USF filings for the cost companies involved in the NECA process. In addition, an officer of the rural ILEC must certify the accuracy and validity of the filed information.

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. All of the aforementioned information is available for inspection and review by the APSC.

Projected Use of High Cost Universal Service Funds in 2002

Based on preliminary projections, the Company estimates it will receive approximately $463,476 of federal high-cost universal service support in 2002. This amount is subject to subsequent adjustment based on end of period information, such as loop counts. The Company certifies that it will only use the federal high-cost support it receives during 2002 for the continued provision, maintenance and upgrading of facilities and service for which such support is intended as described in 47 C.F.R. Section 54.101. Those services, which are available to any customer in the Company's service area are: single-party voice grade access to the public switched network, unlimited local usage, dual-tone multi-frequency signaling or its functional equivalent, access to emergency services, including 911 service or enhanced 9-1-1 service, access to operator service, access to interexchange service, and access to directory assistance, and toll limitation for qualifying low-income customers.

The Company respectfully requests that the Commission notify the FCC prior to October 1 of this year that the Company is eligible to receive federal high-cost support in 2002.

Any questions regarding this submission should be directed to Lera Roark at 318-322-0015.

Respectfully Submitted,

Roanoke Telephone Company, Inc.

By: Lera Roark

Title: Vice President

Date: August 17, 2001

Union Springs Telephone Company

PROGRESSIVENESS IN THE COMMUNITY

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LEGAL DIV

August 15, 2001

Mr. Walter L. Thomas, Jr. Secretary
Alabama Public Service Commission
P.O. Box 991
Montgomery, AL 36101-0991

Dear Mr. Thomas:

Union Springs Telephone Company would like to file a response to "Request for Plans and Procedures For Projected Utilization of High-Cost Universal Service Support" per APSC Docket 25980.

Thank you for your cooperation.

Sincerely,

Larry C. Grogan
Executive Vice President

Enclosures

P.O. Box 240967 · Montgomery, AL 36124-0967 · 8149 Old Federal Road · Montgomery, AL 36117
(334) 279-8201 · Fax (334) 279-5270

Response of Union Springs Telephone Company to Request for Plans and Procedures For Projected Utilization of High-Cost Universal Service Support

Union Springs Telephone Company, Inc. (the "Company ") submits the following in response to this Commission's order of July 13, 2001 requesting that rural carriers submit plans and procedures detailing their projected use of high–cost universal service support in 2002. The Company requests that this Commission certify, pursuant to 47 C.F.R. §54.314, that the Company is eligible to continue to receive federal high cost support.

Overview of Procedures for Calculating High Cost Support

The Commission's July 13, 2001 Order was in response to the recent action of the Federal Communications Commission ("FCC") in its docket In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45/CC Docket No. 00-256, 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 (FCC 01-157) (released May 23, 2001) ("FCC Order"). Specifically, the FCC has adopted a requirement (to be codified in 47 C.F.R. §54.314) that state commissions must file an annual certification with the Universal Service Administrative Company and the FCC stating "that all federal high-cost support provided to [rural incumbent local exchange carriers] will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended." If certification is not accomplished by October 1, 2001, then federal support for universal service in the areas served by the rural carriers within Alabama will not be provided for at least the first quarter of 2002. See paragraph 191 of FCC Order.

The FCC did not specify a mechanism pursuant to which that certification is to be accomplished, rather leaving it open for the state commissions and the affected carriers to develop an appropriate mechanism. The actual amount of high cost funding for 2002 is uncertain, since final calculations depend on information generated during the funding year. By necessity, the Company is providing broad categories for the use of such high cost funds. However, as shown below, there are numerous safeguards at the federal and state levels to insure rural incumbent local exchange carriers receiving universal service support use it for the intended purpose.

The federal support received by rural incumbent local exchange companies is divided into three categories: Long Term Support ("LTS"); Local Switching Support ("LSS") and High Cost Loop Support ("HCLS"). All of these mechanisms have been created by the FCC in conjunction with the Federal-State Joint Board on Universal Service. This means that representatives from state commissions, including Alabama, have also been involved in the development of these mechanisms. LTS is a support mechanism for companies that participate in the interstate cost pool administered by NECA that promotes reasonable Carrier Common Line rates. The LTS calculation uses the interstate cost structure of a rural ILEC based upon annual interstate cost studies that are submitted and certified by the companies and received by NECA. The LTS is capped based upon an inflation factor as established by the FCC's rules. This amount, together with those revenues received from subscribers from the interstate Subscriber Line Charge ("SLC"), is used to offset the rural ILECs' interstate Carrier Common Line revenue requirement. The difference between that revenue requirement, again as set forth in the company's annual interstate cost study, less the LTS and SLC, make up the Carrier Common

Line rate which is charged to interexchange carriers.

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 rural ILEC's to NECA or the FCC. This amount is used to offset the rural ILECs' interstate switching revenue requirement. The revenue requirements set forth in the annual interstate cost studies make up the switching rates which are charged to interexchange carriers.

The HCLS for rural ILECs is based upon each company's embedded, unseparated loop costs. These costs are calculated using a set of complex algorithms approved by the FCC, the inputs for which are scrutinized by NECA.

All of these programs are administered through the Universal Service Administrative Company ("USAC"). USAC, as a private, not-for-profit corporation, is responsible for providing every state and territory of the United States with access to affordable telecommunications service through the Federal Universal Service Fund. 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.

The information that is submitted by rural ILECs must be attested to by the companies. Further, NECA and its auditors must attest to the validity and integrity of NECA's process. In other words, the ILEC cost studies and responses to data collection requests are subject to audit. The information provided in response to all of the universal service fund mechanisms utilizes FCC accounts for regulated costs and must be in compliance with FCC rules in Parts 32, 36, 54

and 64.

All cost studies submitted by rural ILECs and all USF funding must be based upon financial statements. In addition, NECA performs focus reviews of cost studies as well as the USF filings for the cost companies involved in the NECA process. In addition, an officer of the rural ILEC must certify the accuracy and validity of the filed information.

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. All of the aforementioned information is available for inspection and review by the APSC.

Projected Use of High Cost Universal Service Funds in 2002

Based on preliminary projections, the Company estimates it will receive approximately $ 465,000.00 of federal high-cost universal service support in 2002. This amount is subject to subsequent adjustment based on end of period information, such as loop counts. The Company certifies that it will only use the federal high-cost support it receives during 2002 for the continued provision, maintenance and upgrading of facilities and service for which such support is intended as described in 47 C.F.R. Section 54.101. Those services, which are available to any customer in the Company's service area are: single-party voice grade access to the public switched network, unlimited local usage, dual-tone multi-frequency signaling or its functional equivalent, access to emergency services, including 911 service or enhanced 9-1-1 service, access to operator service, access to interexchange service, and access to directory assistance, and toll limitation for qualifying low-income customers.

The Company respectfully requests that the Commission notify the FCC prior to

October 1 of this year that the Company is eligible to receive federal high-cost support in 2002. Any questions regarding this submission should be directed to Larry C. Grogan at (334)279-8201.

Respectfully Submitted,

Union Springs Telephone Company, Inc.

By: _____

Larry C. Grogan

Title: Executive Vice President

Date: August 17, 2001

BRANTLEY, WILKERSON & BRYAN, P.C.
ATTORNEYS AND COUNSELORS
405 SOUTH HULL STREET
MONTGOMERY, ALABAMA 36104
(334) 265-1500

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The Honorable Walter Thomas
Alabama Public Service Commission
RSA Union Building
100 North Union Street
Montgomery, AL 36104

Re: Response to Request for Plans and Procedures For Projected Utilization of High-Cost Universal Service Support

Dear Mr. Thomas:

Enclosed for filing with the Commission are the original and ten (10) copies of responses by Valley Telephone Company regarding anticipated utilization of high-cost universal service support, as required by the Commission's Order of July 13, 2001.

Thank you for your courtesies in this matter. Please direct any questions regarding the documents to my office.

Very Truly Yours,

Mark D Wilkerson/SS

Mark D. Wilkerson

MDW/tms

Enclosures

Response of Valley Telephone Company to Request for Plans and Procedures For Projected Utilization of High-Cost Universal Service Support

Valley Telephone Company, Inc. (the "Company ") submits the following in response to this Commission's order of July 13, 2001 requesting that rural carriers submit plans and procedures detailing their projected use of high–cost universal service support in 2002. The Company requests that this Commission certify, pursuant to 47 C.F.R. §54.314, that the Company is eligible to continue to receive federal high cost support.

Overview of Procedures for Calculating High Cost Support

The Commission's July 13, 2001 Order was in response to the recent action of the Federal Communications Commission ("FCC") in its docket In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45/CC Docket No. 00-256, 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 (FCC 01-157) (released May 23, 2001) ("FCC Order"). Specifically, the FCC has adopted a requirement (to be codified in 47 C.F.R. §54.314) that state commissions must file an annual certification with the Universal Service Administrative Company and the FCC stating "that all federal high-cost support provided to [rural incumbent local exchange carriers] will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended." If certification is not accomplished by October 1, 2001, then federal support for universal service in the areas served by the rural carriers within Alabama will not be provided for at least the first quarter of 2002. See paragraph 191 of FCC Order.

The FCC did not specify a mechanism pursuant to which that certification is to be accomplished, rather leaving it open for the state commissions and the affected carriers to develop an appropriate mechanism. The actual amount of high cost funding for 2002 is uncertain, since final calculations depend on information generated during the funding year. By necessity, the Company is providing broad categories for the use of such high cost funds. However, as shown below, there are numerous safeguards at the federal and state levels to insure rural incumbent local exchange carriers receiving universal service support use it for the intended purpose.

The federal support received by rural incumbent local exchange companies is divided into three categories: Long Term Support ("LTS"); Local Switching Support ("LSS") and High Cost Loop Support ("HCLS"). All of these mechanisms have been created by the FCC in conjunction with the Federal-State Joint Board on Universal Service. This means that representatives from state commissions, including Alabama, have also been involved in the development of these mechanisms. LTS is a support mechanism for companies that participate in the interstate cost pool administered by NECA that promotes reasonable Carrier Common Line rates. The LTS calculation uses the interstate cost structure of a rural ILEC based upon annual interstate cost studies that are submitted and certified by the companies and received by NECA. The LTS is capped based upon an inflation factor as established by the FCC's rules. This amount, together with those revenues received from subscribers from the interstate Subscriber Line Charge ("SLC"), is used to offset the rural ILECs' interstate Carrier Common Line revenue requirement. The difference between that revenue requirement, again as set forth in the company's annual interstate cost study, less the LTS and SLC, make up the Carrier Common

Line rate which is charged to interexchange carriers.

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 rural ILEC's to NECA or the FCC. This amount is used to offset the rural ILECs' interstate switching revenue requirement. The revenue requirements set forth in the annual interstate cost studies make up the switching rates which are charged to interexchange carriers.

The HCLS for rural ILECs is based upon each company's embedded, unseparated loop costs. These costs are calculated using a set of complex algorithms approved by the FCC, the inputs for which are scrutinized by NECA.

All of these programs are administered through the Universal Service Administrative Company ("USAC"). USAC, as a private, not-for-profit corporation, is responsible for providing every state and territory of the United States with access to affordable telecommunications service through the Federal Universal Service Fund. 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.

The information that is submitted by rural ILECs must be attested to by the companies. Further, NECA and its auditors must attest to the validity and integrity of NECA's process. In other words, the ILEC cost studies and responses to data collection requests are subject to audit. The information provided in response to all of the universal service fund mechanisms utilizes FCC accounts for regulated costs and must be in compliance with FCC rules in Parts 32, 36, 54

and 64.

All cost studies submitted by rural ILECs and all USF funding must be based upon financial statements. In addition, NECA performs focus reviews of cost studies as well as the USF filings for the cost companies involved in the NECA process. In addition, an officer of the rural ILEC must certify the accuracy and validity of the filed information.

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. All of the aforementioned information is available for inspection and review by the APSC.

Projected Use of High Cost Universal Service Funds in 2002

Based on preliminary projections, the Company estimates it will receive approximately

$407,892 of federal high-cost universal service support in 2002. This amount is subject to subsequent adjustment based on end of period information, such as loop counts. The Company certifies that it will only use the federal high-cost support it receives during 2002 for the continued provision, maintenance and upgrading of facilities and service for which such support is intended as described in 47 C.F.R. Section 54.101. Those services, which are available to any customer in the Company's service area are: single-party voice grade access to the public switched network, unlimited local usage, dual-tone multi-frequency signaling or its functional equivalent, access to emergency services, including 911 service or enhanced 9-1-1 service, access to operator service, access to interexchange service, and access to directory assistance, and toll limitation for qualifying low-income customers.

The Company respectfully requests that the Commission notify the FCC prior to

October 1 of this year that the Company is eligible to receive federal high-cost support in 2002. Any questions regarding this submission should be directed to Felix L. Boccucci at (706) 645-8567.

Respectfully Submitted,

Valley Telephone Company, Inc.

By: Felix L. Boccucci, Jr.

Title: Vice-President Business Development

Date: August 17, 2001