

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

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| IN THE MATTER OF THE SALE OF THE |) | FINAL DECISION AND |
| STOCK OF VALLEY TELEPHONE COMPANY |) | ORDER APPROVING SALE |
| TO PARK REGION COMMUNICATIONS, INC. |) | OF STOCK; NOTICE OF |
| |) | ENTRY OF ORDER |
| |) | TC98-150 |

On September 3, 1998, Revering Group, Inc. (RGI), the sole shareholder of Valley Telephone Company (Valley), and Park Region Mutual Telephone Company, jointly applied to the South Dakota Public Utilities Commission (Commission) for approval of the sale of the stock of Valley to Park Region Mutual Telephone Company. The joint application stated, "Valley will continue to operate and provide local telephone service under its existing Certificate of Authority after the stock sale. Valley has a Certificate of Authority to provide telecommunications services in South Dakota. Valley is an independent telephone company with two exchanges, serving customers in West Browns Valley, South Dakota, and Browns Valley, Minnesota. There are approximately 636 access lines located in Browns Valley and 180 access lines located in West Browns Valley."

On September 3, 1998, the Commission electronically transmitted notice of the filing and the intervention deadline of September 18, 1998, to interested individuals and entities. No petitions to intervene or comments were filed.

On October 19, 1998, the Commission received a letter from Park Region Mutual Telephone Company informing the Commission that "[t]he Lender to Park Region Mutual Telephone Company has requested that Park Region Mutual Telephone Company form a new subsidiary to purchase the Valley Telephone Company stock. Therefore, Park Region Mutual Telephone Company has created a wholly owned subsidiary, Park Region Communications, Inc., which will purchase the Valley Telephone Company stock." In light of this development, the Commission has changed the caption of this docket to reflect this change.

The hearing was set for Thursday, December 3, 1998, at 1:30 p.m., in Room 412, State Capitol Building, Pierre, South Dakota. The hearing was held as scheduled. At the conclusion of the hearing, the Commission unanimously voted to approve the sale of stock, subject to certain conditions.

The Commission having reviewed the evidence of record and being fully informed in the matter makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. Valley is an independent telephone company serving two exchanges, West Browns Valley, South Dakota, and Browns Valley, Minnesota. Exhibit 2, at 2. The company serves approximately 815 access lines, 179 of which are located in South Dakota. Id.
2. Park Region Mutual Telephone Company is an independent telephone company serving six exchanges with approximately 4,100 access lines in Otter Tail County, Minnesota. Id.
3. On October 19, 1998, the Commission received a letter from Park Region Mutual Telephone Company informing the Commission that "[t]he Lender to Park Region Mutual Telephone Company

has requested that Park Region Mutual Telephone Company form a new subsidiary to purchase the Valley Telephone Company stock. Therefore, Park Region Mutual Telephone Company has created a wholly owned subsidiary, Park Region Communications, Inc., which will purchase the Valley Telephone Company stock."

4. No one at the hearing spoke in opposition to the sale of the stock to Park Region Communications, Inc.

ADEQUACY OF LOCAL TELEPHONE SERVICE

5. Park Region Communications, Inc. will honor all existing contracts, commitments, leases, and other arrangements and will not eliminate any services currently provided by Valley. Exhibit 2, at 6.

6. Park Region Communications, Inc. will retain all of Valley's employees and these employees will continue to operate out of the Browns Valley central office. Id. Customers will be able to make service and billing inquiries by calling a local telephone number during office hours or a toll-free number outside of office hours. Id.

REASONABLENESS OF RATES

7. Park Region Communications, Inc. has no plans to increase the existing rates for at least 18 months. Id. at 2.

PUBLIC SAFETY ISSUES

8. Existing 911 services will continue to be provided. Id. at 4.

ABILITY OF THE BUYER TO PROVIDE SERVICE

9. Park Region Communications, Inc. is fit, willing, and able to purchase and thereafter operate, maintain, and upgrade to the level required by the Commission the facilities of the West Browns Valley exchange. Id. at 5.

10. Park Region Communications, Inc. has the ability to obtain capital and the incentive to invest in the West Browns Valley exchange. Id. at 8. Park Region Communications, Inc. will use an EWSD Siemen "Super Switch" host switch making the provisioning of ISDN possible and the switch will be interconnected by a fiber ring to provide redundancy. Id. at 5. Outside plant will be upgraded, adding sixteen miles of copper cable and seven miles of fiber cable to Valley's local distribution. Id. The availability of broadband capability will be expanded through the installation of three fiber hub sites. Id.

11. Park Region Communications, Inc. will support local economic development efforts and will work with schools and clinics to meet their telecommunications needs. Id. at 9.

PROTECTION OF THE PUBLIC INTEREST

12. Park Region Communications, Inc.'s purchase of the West Browns Valley exchange is in the public interest of the customers within the exchange for the following reasons:

- a. Quality local service will be maintained;

- b. The customers of the exchange will continue to receive customer service through the same business office;
- c. Rates will not increase for at least 18 months as a result of the sale;
- d. Emergency services will continue to be provided to the exchange at the level currently provided; and
- e. Customers in the exchange will be able to obtain additional, advanced telecommunications services.

Id. at 2-7.

TAXES

13. There will be no changes in the taxes paid as a result of the sale of the stock. Id. at 7.

CONDITIONS OF SALE

1. The Commission shall approve the proposed sale of the stock of Valley subject to the following conditions:

- a. That current local rates not be increased for 18 months from the date Park Region Communications, Inc. begins to operate the purchased exchange;
- b. That Park Region Communications, Inc. shall not recover any of the acquisition adjustment through its regulated interstate or intrastate rates, through its local rates, or through federal or state universal service funds;
- c. That Park Region Communications, Inc. shall honor all existing contracts, commitments, leases, licenses, and other agreements which relate to, arise from, or are used for the operation of the purchased exchange; and
- d. That Park Region Communications, Inc. offer, at a minimum, all existing services currently offered by the purchased exchange.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the sale of stock of Valley to Park Region Communications, Inc. pursuant to SDCL Chapters 1-26 and 49-31, specifically 1-26-17.1, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-18, 49-31-19, and 49-31-59.

2. The hearing held by the Commission relative to this matter was an evidentiary hearing pursuant to SDCL Chapter 1-26.

3. The Commission has considered, among other things, the requirements of SDCL 49-31-59 in regard to the proposed sale of stock, and protection of the public interest pursuant to SDCL 49-31-7. The Commission finds that it is in the public interest to approve the sale of stock because the sale will enable the customers in the West Browns Valley exchange to receive high quality service.

4. Park Region Communications, Inc. has satisfied its burden of proof under SDCL Chapter 49-31, specifically 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-18, 49-31-19, and 49-31-59 for approval of the sale of stock of Valley to Park Region Communications, Inc.

5. The Commission has considered the adequacy of local telephone service in reviewing this sale of stock of Valley. Park Region Communications, Inc. is required to provide all services currently offered. In addition, Park Region Communications, Inc. must honor existing contracts and other agreements.

6. The Commission has also considered the reasonableness of local rates. The Commission finds that rates for the customers in the Valley exchange will remain at the same levels and there will be no increase in rates for at least 18 months. Further, Park Region Communications, Inc. is prevented from recovering any of the acquisition adjustment through local rates.

7. Any existing public safety services currently provided will continue.

8. The Commission has determined that there will be no change in the amount of taxes paid as a result of the sale of stock.

9. The Commission has determined that Park Region Communications, Inc. has the ability to provide modern state-of-the-art telecommunications services that will facilitate economic development in rural South Dakota after the sale.

10. The Commission approves the sale of stock of Valley to Park Region Communications, Inc.

Pursuant to SDCL Chapter 1-26, the Commission hereby enters its final decision in this docket. It is therefore

ORDERED that the sale of stock of Valley to Park Region Communications, Inc. is approved subject to the Conditions of Sale.

PLEASE TAKE NOTICE that this Decision and Order in Docket TC98-150 was duly entered this 17th of December, 1998, and filed in the Commission's docket.

Dated at Pierre, South Dakota, this 17th day of December, 1998.

| CERTIFICATE OF SERVICE | |
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| The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon. | |
| By: | <u>Debra Kalko</u> |
| Date: | <u>12/17/98</u> |
| (OFFICIAL SEAL) | |

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner