

TC99-112

KC/KS

TC99-112

DOCKET NO.

In the Matter of — IN THE MATTER OF THE JOINT
APPLICATION OF U S WEST
COMMUNICATIONS, INC. AND SULLY
BUTTES TELEPHONE COOPERATIVE,
INC. AND VENTURE
COMMUNICATIONS, INC. REGARDING
THE SALE BY U S WEST OF ITS
SISSETON TELEPHONE EXCHANGE
TO SULLY BUTTES TELEPHONE
COOPERATIVE, INC. AND VENTURE
COMMUNICATIONS, INC.

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
12/2 99	Filed and Docketed;
12/9 99	Weekly Filing;
1/13 00	Order for and Notice of Procedural Schedule and Hearing;
1/31 00	Direct Testimony of Larry Tall;
1/31 00	Direct Testimony of Chad Blinson;
1/31 00	Petition to Relinquish Eligible Telecommunications Carrier Designation;
1/31 00	Certificate of Service;
1/31 00	Refiled Testimony of Randy Havelle;
1/31 00	Request for Confidential Treatment;
1/31 00	Certificate of Service;
2/10 00	Order Granting Admission of Nonresident Attorney (Dennis H. Swett);
2/24 00	U.S. West's Request for Confidential Treatment of Information;
3/3 00	Supplemental Direct Testimony of Chad Blinson;
3/9 00	Amended Order for and Notice of Procedural Schedule and Hearing;
3/16 00	Testimony of Keith A. Berger;
3/30 00	Rebuttal Testimony of Randy Havelle on behalf of Sully Butte/Venture;
4/18 00	Transcript of Hearing held on 4/10/00;
5/10 00	Joint Application of Venture and U.S. West for Transfer of Switched <small>deposits rate Rules ARSD 20:27 thru 20:19.29</small>
5/17 00	Assignment of Agreement for Purchase and Sale of Telephone Exchanges;
5/23 00	Find of Fact and Con. of Law; Notice of Entry of Order;
5/23 00	Docket Closed.

TC99-112

Meyer & Rogers

ATTORNEYS AT LAW
P.O. BOX 1117 • 320 EAST CAPITOL • PIERRE, SOUTH DAKOTA 57501-1117 • TELEPHONE 605-224-7889 • FACSIMILE 605-224-9060

BRIAN B. MEYER
DARLA POLLMAN ROGERS

RECEIVED

DEC 02 1999

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

December 2, 1999

PUBLIC UTILITIES COMMISSION
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501

Re: IN THE MATTER OF THE ACQUISITION FROM U S WEST COMMUNI-
CATIONS, INC. OF THE SISSETON TELEPHONE EXCHANGE BY VEN-
TURE COMMUNICATIONS, INC.

Dear Commission:

Please find enclosed herein original and ten copies of the JOINT APPLICATION FOR
AN ORDER APPROVING THE SALE OF TELEPHONE EXCHANGE for filing.

Sincerely yours,



Darla Pollman Rogers
Attorney at Law

DPR/ph

Enclosures



South Dakota Public Utilities Commission

State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070



December 3, 1999

The Honorable Jim Pierson
Mayor of Sisseton
City Hall
513 Veterans Ave
Sisseton, SD 57262

Capitol Office
Telephone (605)773-3201
FAX (605)773-3809

Transportation/
Warehouse Division
Telephone (605)773-5280
FAX (605)773-3225

Consumer Hotline
1-800-332-1782

TTY Through
Relay South Dakota
1-800-877-1113

Internet Website
www.puc.state.sd.us/puc/

Jim Burg
Chairman
Pam Nelson
Vice-Chairman
Laska Schoenfelder
Commissioner

William Bullard Jr.
Executive Director

Harlan Best
Martin C. Bettmann
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Karen E. Cremer
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Marlette Fischbach
Heather K. Forney
Shirleen Fugitt
Mary Giddings
Lewis Hammond
Leni Healy
Cameron Hoseck
Lisa Hull
Dave Jacobson
Katie Johnson
Bob Knadle
Delaine Kolbo
Charlene Lund
Terry Norum
Gregory A. Rislov
Keith Senger
Rolayne Ailts Wiest

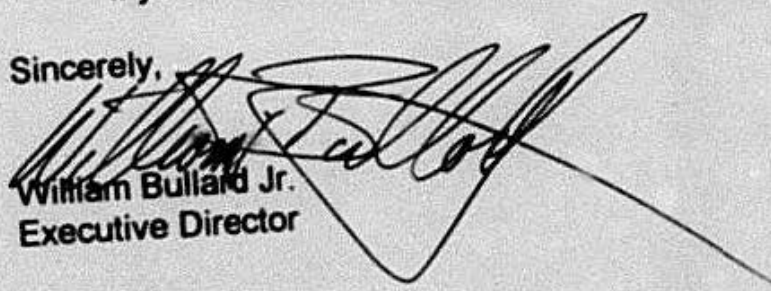
Dear Mayor Pierson:

I understand that you would like to be kept informed of all activities associated with the proposed sale of the Sisseton Telephone Exchange. Enclosed please find a complete copy of the application for the proposed sale. This application was received by the Commission today.

Next Thursday a notice will be sent informing all parties of the intervention deadline associated with this docket. If you would like to intervene, you may petition the Commission for leave to intervene at that time.

If you should have any questions, please contact me at 1-800-332-1782.

Sincerely,


William Bullard Jr.
Executive Director

Enclosures

TC99-112

RECEIVED

DEC 02 1999

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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

IN THE MATTER OF THE)
ACQUISITION FROM U S WEST)
COMMUNICATIONS INC. OF THE)
SISSETON TELEPHONE EXCHANGE BY)
VENTURE COMMUNICATIONS, INC.)

Docket No. TC99 _____

**JOINT APPLICATION FOR AN ORDER
APPROVING SALE OF TELEPHONE EXCHANGE**

U S West Communications, Inc. ("U S WEST"), and Sully Buttes Telephone Cooperative, Inc. ("SBTC") and Venture Communications, Inc. ("VCI") make this joint application to the Commission pursuant to SDCL 49-31-59 for approval of the sale of U S WEST's Sisseton Telephone Exchange to SBTC/VCI. In support of this Joint Application, the parties state as follows:

1. U S WEST is a Colorado corporation with its principal place of business in South Dakota located at 125 S. Dakota Avenue, Sioux Falls, SD 57194. U S WEST's main office is located at 1801 California Street, Suite 5100, Denver, Colorado 80202. U S WEST provides local exchange and interexchange telecommunications services within the jurisdiction of this Commission.

2. VCI and SBTC are both South Dakota corporations; VCI was incorporated in 1986, SBTC was incorporated in 1952. Both VCI's and SBTC's principal offices are located at:

218 Commercial Avenue
P.O. Box 157,
Highmore, South Dakota, 57345-0157
Tel: (605) 852-2224
Fax: (605) 852-2404

3. VCI is a wholly-owned subsidiary of SBTC. VCI currently provides local exchange and interexchange telecommunications services in nine South Dakota exchanges; SBTC provides local exchange and interexchange services in 15 South Dakota exchanges. VCI

and SBTC both hold Certificates of Authority issued by this Commission in each of the local exchanges in which they provide telecommunications services.

4. On July 23, 1999, U S WEST and VCI entered into an Agreement for Purchase and Sale of Telephone Exchanges ("Purchase Agreement"). A true and correct copy of the Purchase Agreement will be provided to the Commission on a proprietary and confidential basis subsequent to the filing of this Joint Application, pursuant to ARSD 20:10:01:41. The Purchase Agreement provides for the sale of U S WEST's assets in the Sisseton Exchange to VCI.

5. Pursuant to the terms of the Purchase Agreement and subject to the approval of this Commission, U S WEST will transfer to VCI/SBTC all of the physical assets and the operations of the Sisseton Exchange. After the transfer, VCI/SBTC will own, operate and manage the Sisseton Exchange.

6. SDCL 49-31-59 requires the Commission, in evaluating the sale of an exchange, to consider the protection of the public interest, the adequacy of local telephone service, the reasonableness of rates for local service, the provision of 911, Enhanced 911, and other public safety services, the payment of taxes, and the ability of the local exchange company to provide modern, state-of-the-art telecommunications services that will help promote economic development, tele-medicine, and distance learning in rural South Dakota. The Joint Applicants address these factors and will file testimony further bearing on these factors subsequent to filing this Application, as required by the Commission.

7. VCI/SBTC are technologically, managerially and financially capable of providing service to the subscribers in the Sisseton Exchange. VCI/SBTC have extensive experience in providing local exchange telecommunications services in South Dakota, especially in smaller, rural communities such as the Sisseton Exchange.

8. VCI/SBTC will provide local service through a stand alone remote switch installed at Sisseton, thus making available to residents and businesses in the Sisseton community state-of-the-art telecommunications services. Rates charged for local service will be the same as the rates charged by U S WEST for a minimum of six months. VCI/SBTC will also continue to provide the same public safety services as are provided by U S WEST. The stand alone remote switch VCI/SBTC will install will enable VCI/SBTC to provide CLASS services and other services including, but not limited to, Caller ID, Voice Mail and ISDN. These features will help promote economic development and will assure the availability of tele-medicine and distance learning in the Sisseton exchange.

9. VCI/SBTC will adopt U S WEST's intrastate local exchange rates in effect in the Sisseton Exchange on the day of closing, and will maintain such rates without change for six months following the closing of this transaction. VCI/SBTC have no present intention to increase the basic local exchange rates in the Sisseton Exchange, or any other exchange it currently serves, as a consequence of this transaction. VCI/SBTC will continue to provide those products and services that the customers in the Sisseton Exchange currently obtain from U S WEST. In addition, since VCI/SBTC is not subject to the interLATA restrictions affecting U S WEST, VCI/SBTC can offer both intraLATA and interLATA interexchange services, thus providing customers the option of one-stop shopping for telecommunications services.

10. VCI/SBTC intend to contract with U S WEST for the provision of operator services and directory assistance/DA call completion. The transfer of assets to VCI/SBTC will have no effect on 911 or Enhanced 911 emergency services, Telephone Relay Service or existing extended area service arrangements or routes.

11. The purchase of the Sisseton Exchange is subject to Federal Communications Commission ("FCC") approval for price cap and study area waivers. The FCC indicated in an

order dated June 21, 1995 that a petition for a study area waiver would not be accepted unless the appropriate state regulatory agency has stated that it does not object to changes in the study area boundaries. For this reason, U S WEST and VCI/SBTC request that the Commission's order in this matter include a statement that the Commission does not object to the FCC granting a study area waiver consistent with the transfer of the Sisseton exchange from U S WEST to VCI/SBTC, nor to any reconfiguration of study area boundaries required by the sale of the Sisseton exchange.

12. U S WEST and VCI/SBTC request that this Commission approve the transfer of the Sisseton exchange as contemplated in the Purchase Agreement. U S WEST makes its request for approval conditioned upon acceptance of the accounting and ratemaking treatment set forth in the Purchase Agreement, including recognition of the traditional FCC accounting practices which dictate that U S WEST's gain be treated below-the-line or as a non-operational item for both ratemaking and accounting purposes.

13. In accordance with ARSD 20:10:27:04, U S WEST keeps its books and records in conformance with the latest FCC rules and will account for the sale using FCC Part 32, Uniform System of Accounts procedures. Part 32, paragraph 32.20000(d)(5) of these procedures states:

When the telecommunications plant is sold together with traffic associated therewith, the original cost of the property shall be credited to the applicable plant accounts and the estimated amounts carried with respect thereto in the accumulated depreciation and amortization accounts shall be charged to such accumulated accounts. The difference, if any, between the net amount of such debit and credit items and the consideration received (less commissions and other expenses of making the sale) for the property shall be included in Account 7350, Gains and Losses from Disposition of Certain Property. The accounting for depreciable telecommunications plant sold without the traffic associated therewith shall be in accordance with the accounting provided in Account 3100.

A sale is considered to include traffic if the customers receive their service from the purchaser after the sale and the transfer is complete. In this sale, the assets used to provide service will be transferred, not removed from service, and the customers in the Sisseton Exchange will receive

their telephone service from VCI/SBTC after the sale and asset transfer is completed. In following Part 32 FCC Accounting Rules, the gain that U S WEST expects to recognize on this sale with traffic will be recorded in Account 7350, a non-operating income (or expense) account which is not included in South Dakota regulatory reporting or rate making proceedings.

14. For the purposes of this filing, US WEST may be contacted as follows:

Larry Toll
U S WEST Communications, Inc.
125 S. Dakota Avenue
Sioux Falls, SD 57194
Tel: (605) 339-5411
Fax: (605) 339-5390

With a copy to:

Thomas J. Welk, Esq.
Boyce, Murphy, McDowell & Greenfield
P. O. Box 5015
Sioux Falls, SD 57117-5015
Tel: (605) 336-2424
Fax: (605) 334-0618

15. For purposes of this filing, VCI/SBTC may be contacted as follows:

Randy Houdek
218 Commercial Avenue
P. O. Box 157
Highmore, SD 57345-0157
Tel: (605) 852-2224
Fax: (605) 852-2404

With a copy to:

Darla Pollman Rogers
Meyer & Rogers
320 East Capitol Ave.
P. O. Box 1117
Pierre, SD 57501
Tel: (605) 224-7889
Fax: (605) 224-9060

WHEREFORE, Joint Applicants respectfully request that the South Dakota Public Utilities Commission enter an order:

- (A) Approving the sale of the Sisseton Exchange by U S WEST to VCI/SBTC;
- (B) Amending VCI's or SBTC's Certificate of Authority in South Dakota as necessary to include the Sisseton Exchange;
- (C) Stating that the Commission does not object to the granting of any required study area waivers by the FCC, or to any reconfiguration of study area boundaries resulting from the sale of the Sisseton Exchange;
- (D) Designating VCI or SBTC, as appropriate, as an Eligible Telecommunications Carrier (ETC) in the Sisseton exchange pursuant to Section 214(e) of the 1996 Telecommunication Act;
- (E) Affirming that any gain from this transaction will be booked to U S WEST's account 7350, and will not be considered by the Commission for U S WEST ratemaking purposes.

Respectfully submitted,

U S WEST COMMUNICATIONS, INC.

By: 

Thomas J. Welk, Esq.
Boyce, Murphy, McDowell & Greenfield
P.O. Box 5015
Sioux Falls, SD 57117-5015
Tel: (605) 336-2424

Paul Hybel, Esq.
Freeborn & Peters
311 South Wacker Drive Suite 3000
Chicago, IL 60606-6677
Tel: (312) 360-6717
Attorneys for U S WEST Communications, Inc.

VENTURE COMMUNICATIONS, INC.

And

SULLY BUTTES TELEPHONE COOPERATIVE,
INC.

By: *Darla Rogers*

Darla Rogers, Esq.

Meyer and Rogers Law Firm

320 East Capitol

P.O. Box 1117

Pierre, SD 57501

Tel: (605) 224-7889

Attorney for Venture Communications, Inc. and
Sully Buttes Telephone Cooperative, Inc.

**South Dakota Public Utilities Commission
WEEKLY FILINGS**

For the Period of December 2, 1999 through December 8, 1999

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please
contact Delaine Kolbo within five business days of this filing.
Phone: 605-773-3705 Fax: 605-773-3809

CONSUMER COMPLAINTS

CT99-067 In the Matter of the Complaint filed by Robert J. Ries and Treva Jean M. Ries, Watertown, South Dakota, against OLS, Inc. Regarding Switching Telecommunications Services Through Deceptive Tactics.

The Complainants claim that they were contacted by telephone to consolidate their billing. As a result of the call, their long distance service was switched to OLS, Inc. The Complainants want telephone companies to "have everything in writing before anything could change."

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Date Filed: 12/02/99
Intervention Deadline: NA

CT99-068 In the Matter of the Complaint filed by Mrs. Robert Binfet, Aberdeen, South Dakota, against OLS, Inc. Regarding Switching Telecommunications Services Through Deceptive Tactics.

The Complainant claims that she received a call from a telemarketer representing her local phone company. As a result of this call, the Complainant's long distance service was switched. The Complainant is seeking to have the charges removed and a fine assessed.

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Date Filed: 12/08/99
Intervention Date: NA

CT99-069 In the Matter of the Complaint filed by Sandy Curran, Sisseton, South Dakota, against OLS, Inc. Regarding Switching Telecommunications Services Through Deceptive Tactics.

The Complainant indicates that as a result of a sales call, she switched her long distance service. The rates and fees which appeared on her billing were not the rates and fees promised.

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Date Filed: 12/08/99
Intervention Date: NA

TELECOMMUNICATIONS

TC99-112 In the Matter of the Joint Application of U S WEST Communications, Inc. and Sully Buttes Telephone Cooperative, Inc. and Venture Communications, Inc. Regarding the Sale by U S WEST of its Sisseton Telephone Exchange to Sully Buttes Telephone Cooperative, Inc. and Venture Communications, Inc.

On July 23, 1999, U S WEST Communications, Inc. (U S WEST) and Venture Communications, Inc. (VCI) a wholly-owned subsidiary of Sully Buttes Telephone Cooperative, Inc. (SBTC) entered into an Agreement for the sale and purchase of the Sisseton Exchange. On December 2, 1999, the Commission received a joint application from U S West and VIC/SBTC for approval of the sale.

Staff Analyst: Keith Senger
Staff Attorney: Karen Cremer
Dated Filed: 12/02/99
Intervention Deadline: 12/23/99

TC99-113 In the Matter of the Petition of McLeodUSA Telecommunications Services, Inc. for a Declaratory Ruling on Whether the Discontinuance of the Retail Sale of Voice Messaging Service by U S WEST Communications, Inc. to McLeodUSA Violates SDCL 49-31-11.

The petition by McLeodUSA as summarized states: U S WEST Communications (U S WEST) offers Voice Messaging Service (VMS) pursuant to its South Dakota Exchange and Network Services Catalog. There is nothing in the catalog that restricts the selling of VMS to residential or business customers either to individual customers, in bulk or in large numbers, or for any customer to then resell to others. McLeodUSA, as a service to its customers, buys VMS from U S WEST under the terms and conditions of U S WEST's catalog and at the retail prices published by U S WEST in the catalog. McLeodUSA then resells the VMS to its customers at the same rate, and under the same terms and conditions, as in the catalog. The purchase and resale of VMS is not done pursuant to a resale agreement or pursuant to any wholesale discount required by the Telecommunications Act of 1996. On September 22, 1999, McLeodUSA

became aware for the first time that the sale of VMS by U S WEST in South Dakota to McLeodUSA would be discontinued. The only reason stated for this action by U S WEST is that it is not required to sell VMS for resale by companies. Despite attempts to have the decision concerning the retail provisioning of VMS to McLeodUSA changed, U S WEST is now prepared to disconnect over 400 VMS customers in South Dakota because they are also customers of a competitor, McLeodUSA. McLeodUSA may be successful in keeping these customers on a VMS platform provided by McLeodUSA or another vendor, but at a cost for local transport, much of which is controlled by and must be purchased from U S WEST. There is no good or justifiable business reason to single out the purchase at retail of VMS by a competitor, who then resells the service, as a target for making the service not available as described in the catalog. This is just another attempt by U S WEST to inhibit competition in its South Dakota local exchange market in violation of explicit state law prohibiting such discriminatory conduct. The discontinuance of the retail sale of VMS by U S WEST to McLeodUSA for purposes of resale is an unjust and unreasonably discriminatory action by U S WEST in violation of SDCL 49-31-11.

Staff Analyst: Harlan Best
Staff Attorney: Camron Hoseck
Date Filed: 12/02/99
Intervention Deadline:

TC99-114 In the Matter of the Petition of Dakota Telecom, Inc. to Amend its Certificate of Authority to Allow Dakota Telecom, Inc. to Provide Service to the Jefferson, South Dakota Exchange.

On October 22, 1996, Dakota Telecom, Inc. (DTI) was granted a Certificate of Authority to provide telecommunications services, including local exchange services, throughout the State of South Dakota. This grant was subject to the Commission's restriction with respect to rural telephone companies. DTI is requesting that the Commission amend its previous Order granting DTI its certificate and grant DTI the authority to provide service to the entire exchange of Jefferson, South Dakota, an exchange currently served by Long Lines, Inc. d/b/a Jefferson Telephone company, a rural telephone company as that term is defined in Federal and State law.

Staff Analyst: Heather Forney
Staff Attorney: Camron Hoseck
Dated Filed: 12/06/99
Intervention Deadline: 12/24/99

TC99-115 In the Matter of the Application of One Tel Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

One Tel Inc. seeks a Certificate of Authority to provide resold interexchange dial around telecommunication services. One Tel intends to provide services through South Dakota to business and residential end-users.

Staff Analyst: Keith Senger
Staff Attorney: Camron Hoseck
Date Filed: 12/08/99
Intervention Date: 12/23/99

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You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc/>

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

IN THE MATTER OF THE SALE BY U S WEST) ORDER FOR AND NOTICE
COMMUNICATIONS, INC. OF THE SISSETON) OF PROCEDURAL
TELEPHONE EXCHANGE TO VENTURE) SCHEDULE AND HEARING
COMMUNICATIONS, INC. AND SULLY)
BUTTES TELEPHONE COOPERATIVE, INC.) TC99-112

On December 2, 1999, U S WEST Communications, Inc. (U S WEST) and Sully Buttes Telephone Cooperative, Inc. (SBTC) and Venture Communications, Inc. (VCI), jointly applied to the South Dakota Public Utilities Commission (Commission) for approval of the sale of U S WEST's Sisseton Telephone Exchange to VCI/SBTC. The joint application stated that U S WEST and VCI entered into an Agreement for Purchase and Sale of Telephone Exchanges (Purchase Agreement) on July 23, 1999. The application further states that "[p]ursuant to the terms of the Purchase Agreement and subject to the approval of this Commission, U S WEST will transfer to VCI/SBTC all of the physical assets and operations of the Sisseton Exchange. After the transfer, VCI/SBTC will own, operate and manage the Sisseton Exchange."

On December 9, 1999, the Commission electronically transmitted notice of the filing and the intervention deadline of December 23, 1999, to interested individuals and entities. No petitions to intervene or comments were filed.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-31, specifically 1-26-17.1, 1-26-18, 1-26-19, 1-26-19.1, 49-31-2, 49-31-3, 49-31-3.1, 49-31-7, 49-31-7.1, 49-31-10, 49-31-11, and 49-31-59. The Commission may rely upon any or all of these or other laws of this state in making its determination. The Commission sets the following procedural schedule:

U S WEST and VCI/SBTC shall file direct testimony on or before January 31, 2000;

Staff and any intervenors may file reply testimony on or before March 16, 2000;

U S WEST and VCI/SBTC may file rebuttal testimony on or before March 30, 2000.

A hearing shall be held on April 10, 2000, at 1:30 P.M. (CST), in the County Commission Meeting Room of the Roberts County Courthouse, 412 E. 3rd Ave., Sisseton, South Dakota. The issue at the hearing is whether the sale by U S WEST of the Sisseton Telephone Exchange to VCI/SBTC should be approved. Pursuant to SDCL 49-31-59, the Commission must consider the following when evaluating the application: the protection of the public interest, the adequacy of local telephone service, the reasonableness of rates for local service, the provision of 911, Enhanced 911, and other public safety services, the payment of taxes, and the ability of the local exchange company to provide modern, state-of-the-art telecommunications services that will help promote economic development, telemedicine, and distance learning in rural South Dakota.

Commission Meeting Room of the Roberts County Courthouse, 412 E. 3rd Ave., Sisseton, South Dakota. The issue at the hearing is whether the sale by U S WEST of the Sisseton Telephone Exchange to VCI/SBTC should be approved. Pursuant to SDCL 49-31-59, the Commission must consider the following when evaluating the application: the protection of the public interest, the adequacy of local telephone service, the reasonableness of rates for local service, the provision of 911, Enhanced 911, and other public safety services, the payment of taxes, and the ability of the local exchange company to provide modern, state-of-the-art telecommunications services that will help promote economic development, telemedicine, and distance learning in rural South Dakota.

to SDCL 1-26-20.

The Commission, after examining the evidence and hearing testimony presented by the parties, shall make Findings of Fact, Conclusions of Law, and a Final Decision. As a result of the hearing the Commission may either approve or reject the proposed sale of the Sisseton Telephone Exchange. The Final Decision made by the Commission may be appealed by the parties to the Circuit Court and the South Dakota Supreme Court as provided by law. It is therefore

ORDERED, that a hearing shall be held on the joint application for approval of the sale by U S WEST of the Sisseton Telephone Exchange to VCI/SBTC at the time and place specified above.

Pursuant to the Americans with Disabilities Act, this hearing is being held in a physically accessible location. Please contact the Public Utilities Commission at 1-800-332-1782 at least 48 hours prior to the hearing if you have special needs so arrangements can be made to accommodate you.

Dated at Pierre, South Dakota, this 13th day of January, 2000.

CERTIFICATE OF SERVICE

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: Delaine Kalbo

Date: 1/13/00

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

BOYCE, MURPHY, McDOWELL & GREENFIELD, L.L.P.
ATTORNEYS AT LAW

Jeremiah D. Murphy
Russell R. Greenfield
David J. Vickers
Gary J. Pashby
Vance R.C. Goldammer
Thomas J. Welk
Terry N. Prendergast
James E. McMahon
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Sioux Falls, South Dakota 57104
P.O. Box 5015
Sioux Falls, South Dakota 57117-5015

Telephone 605 336-2424 Direct Dial 605-731-0208
Facsimile 605 334-0618 tjwelk@boycemurphy.com

Tamara A. Wilka
Carolyn A. Thompson
Lisa Hansen Macco
Jeffrey C. Clapper

Of Counsel
John R. McDowell

J.W. Boyce (1884-1915)
John S. Murphy (1924-1966)

January 31, 2000

VIA FACSIMILE - 605-773-3809

William Bullard, Executive Director
Public Utilities Commission
500 E. Capitol
Pierre, SD 57501

FAX Received 1/31/2000

RECEIVED

FEB 01 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: In the Matter of the Acquisition From U S WEST Communications, Inc. of the Sisseton Telephone Exchange by Venture Communications, Inc. (Docket No. TC99-112)
Our File No. 2104.048

Dear Mr. Bullard:

Please find enclosed copies of the Direct Testimony of Larry Toll, the Direct Testimony of Brad Blinsmon, Petition to Relinquish Eligible Telecommunications Carrier Designation and Certificate of Service. The originals and ten (10) copies will be mailed to you today.

Sincerely yours,

BOYCE, MURPHY, MCDOWELL
& GREENFIELD, L.L.P.

Thomas J. Welk

TJW/vjj
Enclosure

cc: Cindy Pierson (via e-mail)
Darren Swett (via e-mail)
Colleen Sevold (via e-mail)

Meyer & Rogers

ATTORNEYS AT LAW
P.O. BOX 1117 • 320 EAST CAPITOL • PIERRE, SOUTH DAKOTA 57501-1117 • TELEPHONE 605-224-7889 • FACSIMILE 605-224-9060

BRIAN B. MEYER
DARLA POLLMAN ROGERS

January 31, 2000

Karen Cremer
Public Utilities Commission
500 East Capitol Avenue
Pierre, South Dakota 57501

RECEIVED
JAN 31 2000
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: In the Matter of the Acquisition from US WEST Communications, Inc., of the
Sisseton Telephone Exchange by Venture Communications, Inc. (Docket No.
TC99-112)

Dear Karen:

Please find enclosed herein original PREFILED TESTIMONY OF RANDY HOUDEK,
Attachments A and B, and REQUEST FOR CONFIDENTIAL TREATMENT of At-
tachment B, which is Sully Buttes' pro forma.

By copy of this letter, I am serving Thomas J. Welk (by facsimile) with the same.

Sincerely yours,



Darla Pollman Rogers
Attorney at Law

DPR/ph

Enclosures

CC: Thomas J. Welk

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF
THE SISSETON EXCHANGE TO
SULLY BUTTES TELEPHONE
COOPERATIVE, INC.

Docket No. TC99-112

REQUEST FOR
CONFIDENTIAL TREATMENT

Pursuant to ARSD 20:10:01:41, Sully Buttes Telephone Cooperative, Inc. (Sully Buttes), by and through Darla Pollman Rogers, its attorney, hereby requests confidential treatment of the following:

(1) Attachment B to the Prefiled Testimony of Randy Houdek, filed in TC99-112, which is the sale by U S West of the Sisseton Exchange. Attachment B contains financial forecasts of the sale. Confidential treatment is requested for the entire attachment.

(2) Confidentiality is requested throughout the regulatory process for approval of the sale.

(3) The person to be contacted regarding this request is:

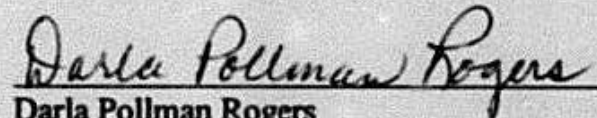
Darla Pollman Rogers
MEYER & ROGERS
320 East Capitol Avenue
P. O. Box 1117
Pierre, South Dakota 57501
Telephone (605)

(4) Confidentiality is requested pursuant to ARSD 20:10:01:39(3), (4) and

(5).

(5) The factual basis that qualifies the information for confidentiality is that disclosure of future financial forecasts of Sully Buttes would result in material damage to its financial or competitive position.

Dated this thirty-first day of January, 2000.



Darla Pollman Rogers

Meyer & Rogers

P. O. Box 1117

Pierre, South Dakota 57501

Attorney for Sully Buttes

RECEIVED

JAN 31 2000

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE SALE OF
THE SISSETON EXCHANGE TO
SULLY BUTTES TELEPHONE COOP-
ERATIVE, INC.

Docket No. TC99-112

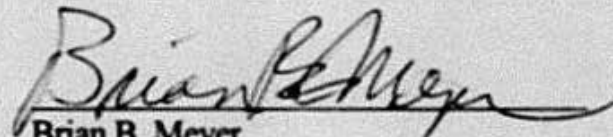
CERTIFICATE OF SERVICE

The undersigned hereby certifies that he served a copy of the foregoing
PREFILED TESTIMONY OF RANDY HOUDEK, Attachments A and B, and RE-
QUEST FOR CONFIDENTIAL TREATMENT of Attachment B, upon the persons
herein next designated, on the date below shown, by personal hand delivery to the Public
Utilities Commission, and facsimile transmission to Thomas J. Welk.

Karen Cremer
Public Utilities Commission
500 East Capitol Avenue
Pierre, South Dakota 57501

Thomas J. Welk
Facsimile Number 605-334-0618

Dated this thirty-first day of January, 2000.



Brian B. Meyer
MEYER & ROGERS
P. O. Box 1117
Pierre, South Dakota 57501

BOYCE, MURPHY, McDOWELL & GREENFIELD, L.L.P.
ATTORNEYS AT LAW

Jeremiah D. Murphy
Russell R. Greenfield
David J. Vickers
Gary J. Pathby
Vance R.C. Goldammer
Thomas J. Welk
Terry N. Prendergast
James B. McMahon
Michael S. McKnight
Gregg S. Greenfield
Roger A. Sudbeck

101 North Phillips Avenue, Suite 600
Sioux Falls, South Dakota 57104
P.O. Box 5015
Sioux Falls, South Dakota 57117-5015

Telephone 605 336-2424 Direct Dial 605-731-0208
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Tamara A. Wilks
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Jeffrey C. Clapper

Of Counsel
John R. McDowell

J.W. Boyce (1884-1915)
John S. Murphy (1924-1966)

February 8, 2000

William Bullard, Executive Director
Public Utilities Commission
500 E. Capitol
Pierre, SD 57501

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FEB 10 2000
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

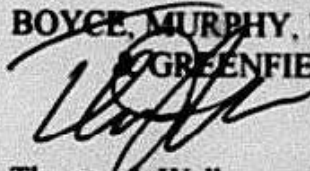
Re: In the Matter of the Acquisition From U S WEST Communications, Inc. of the Sisseton
Telephone Exchange by Venture Communications, Inc. (Docket No. TC99-112)
Our File No. 2104.048

Dear Bill:

Please find enclosed the original and ten (10) copies of the Order Granting Admission of Non-Resident Attorney Darren Swett signed by Judge Zinter. Please file in the Commission's file in this matter.

Sincerely yours,

BOYCE, MURPHY, MCDOWELL
& GREENFIELD, L.L.P.


Thomas J. Welk

TJW/vjj
Enclosure

cc: Darren Swett
Darla Rogers
Karen Cremer

RECEIVED

FEB 10 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

FEB 03 2000

01w 00:30

IN THE MATTER OF THE
ACQUISITION FROM U S WEST
COMMUNICATIONS INC. OF THE
SISSETON TELEPHONE EXCHANGE BY
VENTURE COMMUNICATIONS, INC.


) Docket No. TC99-112
)
) ORDER GRANTING ADMISSION
) OF NON-RESIDENT ATTORNEY
)

It is hereby

ORDERED that the Motion for Admission for Darren W. Swett, a non-resident attorney,
to appear on behalf of U S WEST Communications, Inc. before the Public Utilities Commission
for the State of South Dakota relating to this matter is granted.

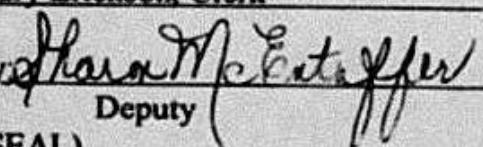
Dated this 28, day of Jan, 2000.

BY THE COURT:


Hon. Steven L. Zinter
Circuit Court Judge
Sixth Judicial District

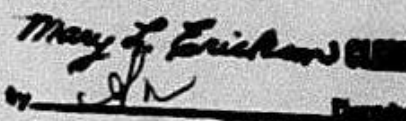
ATTEST:

Mary Erickson, Clerk

By: 
Deputy
(SEAL)

STATE OF SOUTH DAKOTA
CIRCUIT COURT, HUGHES CO.
FILED

JAN 28 2000


Mary L. Erickson, Clerk

BOYCE, MURPHY, McDOWELL & GREENFIELD, L.L.P.
ATTORNEYS AT LAW

Jeremiah D. Murphy
Russell R. Greenfield
David J. Vickers
Gary J. Pashby
Vance R.C. Goldammer
Thomas J. Welk
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Of Counsel
John R. McDowell

J.W. Boyce (1884-1915)
John S. Murphy (1924-1966)

February 22, 2000

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FEB 24 2000

William Bullard, Executive Director
Public Utilities Commission
500 E. Capitol
Pierre, SD 57501

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

Re: In the Matter of the Acquisition From U S WEST Communications, Inc. of the Sisseton
Telephone Exchange by Venture Communications, Inc. (Docket No. TC99-112)
Our File No. 2104.048

Dear Bill:

Please find enclosed the original and ten (10) copies of the Request for Confidential Treatment.
Please file in the Commission's file in this matter.

Sincerely yours,

BOYCE, MURPHY, MCDOWELL
& GREENFIELD, L.L.P.


Thomas J. Welk

TJW/vjj
Enclosure

cc: Colleen Sevoid
Darren Swett
Darla Rogers
Karen Cremer

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

FEB 24 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

TC99-112


IN THE MATTER OF THE ACQUISITION FROM
U S WEST COMMUNICATIONS INC. OF THE
SISSETON TELEPHONE EXCHANGE BY
VENTURE COMMUNICATIONS, INC.

U S WEST COMMUNICATIONS, INC.'S
REQUEST FOR CONFIDENTIAL
TREATMENT OF INFORMATION

Pursuant to ARSD 20:10:01:41, U S WEST Communications, Inc. ("U S WEST"), through the undersigned counsel, requests confidential treatment as follows:

1. Confidential protection is sought for exhibits marked as Confidential Attachments 1 and 2 attached to U S WEST Communications, Inc. Answers To Staff's Data Requests dated February 22, 2000. The pages are marked as confidential and will be provided in a sealed envelope.
2. The exhibits must be protected for the life of this docket. When the docket is closed all protected information must be returned to U S WEST.
3. The person to be notified is Colleen Sevold, Manager of Regulatory Affairs, U S WEST Communications, Inc., 125 S. Dakota Avenue, 8th floor, Sioux Falls, SD 57194, telephone (605) 335-4596 or the undersigned.
4. The claim for protection is based on ARSD 20:10:01:39 (4) and SDCL 37-29-1(4).
5. The exhibits contain proprietary information as to the number of access lines and location of U S WEST facilities. Disclosure of this information will provide actual and potential competitors with information which could provide them with a unique and unfair competitive advantage. Accordingly, U S WEST respectfully requests that the Commission grant this request for confidential protection.

DATED this 22nd day of February, 2000.


Thomas J. Welk
BOYCE, MURPHY, McDOWELL & GREENFIELD, L.L.P.
P. O. Box 5015
Sioux Falls, SD 57117-5015
(605) 336-2424
Attorneys for U S WEST Communications, Inc.

BOYCE, MURPHY, McDOWELL & GREENFIELD, L.L.P.
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Jeremiah D. Murphy
Russell R. Greenfield
David J. Vickers
Gary J. Pashby
Vance R.C. Goldammer
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Jeffrey C. Clapper

Of Counsel
John R. McDowell

J. W. Boyce (1884-1915)
John S. Murphy (1924-1966)

March 1, 2000

RECEIVED

MAR 03 2000

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

William Bullard, Executive Director
Public Utilities Commission
500 E. Capitol
Pierre, SD 57501

Re: In the Matter of the Acquisition From U S WEST Communicat^{ns}, Inc. of the Sisseton
Telephone Exchange by Venture Communications, Inc. (Docket No. TC99-112)
Our File No. 2104.048

Dear Bill:

Please find enclosed the original and ten (10) copies of U S WEST Communications, Inc.
Supplemental Direct Testimony of Brad Blinsmon. Please file in the Commission's file in this
matter.

Sincerely yours,

BOYCE, MURPHY, MCDOWELL
& GREENFIELD, L.L.P.

Thomas J. Welk

TJW/vjj
Enclosure

cc: Colleen Sevold
Darren Swett
Darla Rogers
Karen Cremer

S.D. Newspaper
Services, Inc.
Clipping Bureau
Box 2230
Brookings, SD
57007

MAR 18 2000

Watertown
Public Opinion

PUC will hold meeting on sale

WISSETON — The S.D. Public Utilities Commission (PUC) will hold a public hearing on the proposed sale of the Sisseton telephone exchange. The hearing will be Monday, April 10, at 12:30 p.m. (CST) in the County Commission Meeting Room of the Roberts County Courthouse in Sisseton. The issue at the hearing is whether the sale by US West of the Sisseton Telephone Exchange to Sully Buttes Telephone Cooperative, Inc. and Venture Communications, Inc. (VCI) should be approved.

State law required the PUC to consider the following when evaluating the proposed sale: the protection of the public interest, the adequacy of local telephone

service, the reasonableness of rates for local service, the provision of 911, Enhanced 911, and other public safety services, the payment of taxes and the ability of the local exchange company to provide modern, state-of-the-art telecommunications services that will help promote economic development, tele-medicine and distance learning in rural South Dakota.

The public is invited to attend and to participate by testifying at the hearing. For further information, or to make arrangements for any special needs, the public should contact the PUC at 1-800-332-1782 at least 48 hours prior to the hearing.

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

IN THE MATTER OF THE SALE BY U S WEST)	<u>AMENDED ORDER FOR</u>
COMMUNICATIONS, INC. OF THE SISSETON)	AND NOTICE OF
TELEPHONE EXCHANGE TO VENTURE)	PROCEDURAL SCHEDULE
COMMUNICATIONS, INC. AND SULLY)	AND HEARING
BUTTES TELEPHONE COOPERATIVE, INC.)	TC99-112

On December 2, 1999, U S WEST Communications, Inc. (U S WEST) and Sully Buttes Telephone Cooperative, Inc. (SBTC) and Venture Communications, Inc. (VCI), jointly applied to the South Dakota Public Utilities Commission (Commission) for approval of the sale of U S WEST's Sisseton Telephone Exchange to VCI/SBTC. The joint application stated that U S WEST and VCI entered into an Agreement for Purchase and Sale of Telephone Exchanges (Purchase Agreement) on July 23, 1999. The application further states that "[p]ursuant to the terms of the Purchase Agreement and subject to the approval of this Commission, U S WEST will transfer to VCI/SBTC all of the physical assets and operations of the Sisseton Exchange. After the transfer, VCI/SBTC will own, operate and manage the Sisseton Exchange."

On December 9, 1999, the Commission electronically transmitted notice of the filing and the intervention deadline of December 23, 1999, to interested individuals and entities. No petitions to intervene or comments were filed.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-31, specifically 1-26-17.1, 1-26-18, 1-26-19, 1-26-19.1, 49-31-2, 49-31-3, 49-31-3.1, 49-31-7, 49-31-7.1, 49-31-10, 49-31-11, and 49-31-59. The Commission may rely upon any or all of these or other laws of this state in making its determination. The Commission sets the following procedural schedule:

U S WEST and VCI/SBTC shall file direct testimony on or before January 31, 2000;

Staff and any intervenors may file reply testimony on or before March 16, 2000;

U S WEST and VCI/SBTC may file rebuttal testimony on or before March 30, 2000.

A hearing shall be held on April 10, 2000, at ~~1:30~~ 12:30 P.M. (CST), in the County Commission Meeting Room of the Roberts County Courthouse, 412 E. 3rd Ave., Sisseton, South Dakota. The issue at the hearing is whether the sale by U S WEST of the Sisseton Telephone Exchange to VCI/SBTC should be approved. Pursuant to SDCL 49-31-59, the Commission must consider the following when evaluating the application: the protection of the public interest, the adequacy of local telephone service, the reasonableness of rates for local service, the provision of 911, Enhanced 911, and other public safety services, the payment of taxes, and the ability of the local exchange company to provide modern, state-of-the-art telecommunications services that will help promote economic development, telemedicine, and distance learning in rural South Dakota.



South Dakota Public Utilities Commission

State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070



March 16, 2000

Mr. Larry Toll
U S WEST Communications, Inc.
125 South Dakota Avenue
Sioux Falls, SD 57194

Mr. Randy Houdek
VCI/SBTC
P. O. Box 157
Highmore, SD 57345-0157

Ms. Colleen E. Sebold
U S WEST Communications, Inc.
125 South Dakota Avenue, 8th Floor
Sioux Falls, SD 57194

Mr. Paul Hybel
Attorney at Law
Freeborn & Peters
311 South Wacker Drive, Suite 3000
Chicago, IL 60606-6677

Mr. Thomas J. Welk
Attorney at Law
Boyce, Murphy, McDowell & Greenfield
P. O. Box 5015
Sioux Falls, SD 57117-5015

Ms. Darla Pollman Rogers
Attorney at Law
Meyer & Rogers
P. O. Box 1117
Pierre, SD 57501-1117

Mr. Jim Pierson
Mayor of Sisseton
513 Veterans Avenue
Sisseton, SD 57262

Re: In the Matter of the Sale by U S WEST of the
Sisseton Telephone Exchange to Venture and
Sully Buttes
Docket TC99-112

Dear Folks:

Enclosed each of you will find a copy of the Testimony of Keith A. Senger with reference to the above captioned matter. This is intended as service upon you by mail.

Very truly yours,

Karen E. Cremer
Staff Attorney

KEC:dk
Enc.

Capitol Office
Telephone (605)773-3201
FAX (605)773-3809

Transportation/
Warehouse Division
Telephone (605)773-5280
FAX (605)773-3225

Consumer Hotline
1-800-332-1782

TTY Through
Relay South Dakota
1-800-877-1113

Internet Website
www.state.sd.us/puc/

Jim Burg
Chairman
Pam Nelson
Vice-Chairman
Laska Schoenfelder
Commissioner

William Bullard Jr.
Executive Director

Harlan Best
Martin C. Bettmann
Sue Cichos
Karen E. Cremer
Terry Emerson
Michele M. Farris
Marlette Fischbach
Heather K. Forney
Shirleen Fugitt
Mary Giddings
Lewis Hammond
Leri Healy
Mary Healy
Cameron Hoseck
Lisa Hull
Dave Jacobson
Jennifer Kirk
Bob Knadle
Delaine Kolbo
Charlene Lund
Gregory A. Raslov
Keith Senger
Rolayne Alts Wiest

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

IN THE MATTER OF THE SALE BY U S WEST) COMMUNICATIONS, INC. OF THE SISSETON) TELEPHONE EXCHANGE TO VENTURE) COMMUNICATIONS, INC. AND SULLY) BUTTES TELEPHONE COOPERATIVE, INC.)	CERTIFICATE OF SERVICE TC99-112
--	--

I hereby certify that copies of Testimony of Keith A. Senger were served on the following by mailing the same to them by United States Post Office First Class Mail, postage thereon prepaid, at the address shown below on this the 16th day of March, 2000.

Mr. Larry Toll
U S WEST Communications, Inc.
125 South Dakota Avenue
Sioux Falls, SD 57194

Mr. Randy Houdek
VCI/SBTC
P. O. Box 157
Highmore, SD 57345-0157

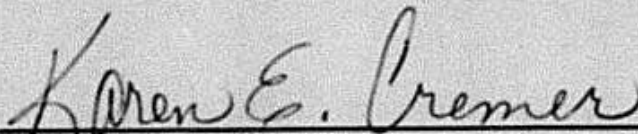
Ms. Colleen E. Sevold
U S WEST Communications, Inc.
125 South Dakota Avenue, 8th Floor
Sioux Falls, SD 57194

Mr. Paul Hybel
Attorney at Law
Freeborn & Peters
311 South Wacker Drive, Suite 3000
Chicago, IL 60606-6677

Mr. Thomas J. Welk
Attorney at Law
Boyce, Murphy, McDowell & Greenfield
P. O. Box 5015
Sioux Falls, SD 57117-5015

Ms. Darla Pollman Rogers
Attorney at Law
Meyer & Rogers
P. O. Box 1117
Pierre, SD 57501-1117

Mr. Jim Pierson
Mayor of Sisseton
513 Veterans Avenue
Sisseton, SD 57262



Karen E. Cremer
Staff Attorney
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501

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APR 10 2000

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE SALE BY U.S.)
WEST COMMUNICATIONS, INC., OF THE)
SISSETON TELEPHONE EXCHANGE TO VENTURE)
COMMUNICATIONS, INC. AND SULLY BUTTES)
TELEPHONE COOPERATIVE, INC.)

TC99-112

BEFORE THE PUBLIC UTILITIES COMMISSION

PROCEEDINGS: The above-entitled hearing was held on
April 10, 2000, in the Circuit Courtroom
of the Roberts County Courthouse, Sisseton,
South Dakota, commencing at 12:35 p.m.

PUBLIC UTILITIES COMMISSION:

Jim Burg, Chairman
Laska Schoenfelder, Commissioner
Pam Nelson, Commissioner

COMMISSION STAFF:

Rolayne Ailts Wiest, General Counsel
Karen Cremer, Staff Attorney
Greg Rislov
Keith Senger

APPEARANCES:

Mr. Thomas Welk, Attorney at Law
101 N. Phillips, Suite 600
P.O. Box 5015
Sioux Falls, South Dakota

Attorney for U.S. West

Ms. Darla Pollman Rogers, Attorney at Law
P.O. Box 1117
320 East Capitol
Pierre, South Dakota

Attorney for Venture, Inc. & Sully Buttes

ORIGINAL

1
2 WITNESSES:

3 For U.S. West: Direct Cross Redirect Recross

4 Larry Toll 5 7,10,11,12 13
5 Brad Blinsmon 14

6 For Venture/Sully Buttes:

7 Randy Houdek 16 29,40,43, 64 66,71
8 49,52,59

9 For the PUC:

10 Brad Blinsmon 72,73
11 Keith Senger 75 82,87,94,97
12 Randy Houdek 102

13 EXHIBITS:

	<u>Marked</u>	<u>Offered</u>	<u>Ruled On</u>
1. Joint Application	*		
2. Larry Toll Direct Testimony	*		
3. Brad Blinsmon Direct Testimony	*		
4. Brad Blinsmon Supplemental Direct	*		
5. Randy Houdek Direct Testimony	*		
6. Randy Houdek Rebuttal Testimony	*		
7. Keith Senger Direct Testimony	*		
8. U.S. West Tariff (Purchase Agreement)	*		
9. U.S. West Switched Access Rates	13	13	13
10. Marshall County Tax Disbursement	*	47	47
11. Roberts County Tax Disbursement	*	73	73

14 *Marked before hearing or after.

15 MOTIONS

16 Made On

17 By U.S. West and Venture/Sully Buttes:
18 To Waive Switched Access Rules

19 105
20
21
22
23
24
25

1
2 MR. BURG: I'll begin the hearing for docket TC
3 99-112. In the Matter of the Sale by U.S. West
4 Communications, Incorporated, of the Sisseton Telephone
5 Exchange to Venture Communication, Incorporated, and
6 Sully Buttes Telephone Cooperative, Incorporated. The
7 time is approximately 12:30 p.m. The date is April 10,
8 2,000. And the location of the hearing is the county
9 commission meeting room of the Roberts County Courthouse
10 412 East Third Avenue, Sisseton, South Dakota. I am Jim
11 Burg, Commission Chairman. Commissioners Laska
12 Schoenfelder and Pam Nelson are also present. I'm
13 presiding over this hearing. This hearing was noticed
14 pursuant to the commission's amended order for a notice
15 of procedural schedule and the hearing issued March 9,
16 2000. The issue at this hearing is whether the sale by
17 U.S. West of the Sisseton Telephone Exchange to Venture
18 Communication, Incorporated and Sully Buttes Telephone
19 Cooperative, Incorporated should be approved. All parties
20 have the right to be present and to be represented by an
21 attorney. All persons so testifying will be sworn in and
22 subject to cross-examination by the parties. The
23 Commission's final decision may be appealed by the
24 parties to the state Circuit Court and the state Supreme
25 Court. Rolayne Wiest will act as commission counsel. She

1 may also provide recommended rulings on procedural and
2 evidentiary matters. The commission may overrule its
3 counsel's preliminary rules throughout the hearing. If
4 not overruled, the preliminary rulings will become final.
5 At this time I'll turn it over to Rolayne to conduct the
6 hearing.

7 MS. WIEST: I'll take appearances of the parties.
8 U.S. West?

9 MR. WELK: Thomas J. Welk of Sioux Falls
10 appearing on behalf of U.S. West communications, Inc.

11 MS. WIEST: Venture?

12 MRS. ROGERS: Darlene Pollman Rogers.

13 MS. WIEST: Staff?

14 MS. CREMER: Karen Cremer.

15 MS. WIEST: Do any of the parties have opening
16 statements?

17 MR. WELK: U.S. West has not.

18 MRS. ROGERS: Sully Buttes have none.

19 MS. CREMER: We have none.

20 MS. WIEST: U.S. West, will you call your first
21 witness.

22 MR. WELK: Thank you, General Counsel Wiest.
23 Before we begin we have had pre-marked eight exhibits for
24 the record. Those we've gone over with the commission and
25 counsel but, for purposes of the record, Exhibit 1 is the

1 joint application. Exhibit 2 is the Larry Toll direct
2 testimony. Exhibit 3 is the Brad Blinsmon direct
3 testimony. Four is the Brad Blinsmon supplemental direct
4 testimony. Exhibit 5 is the Randy Houdek direct
5 testimony. Exhibit 6 is the Randy Houdek rebuttal
6 testimony. Exhibit 7 is the Ken Senger direct testimony.
7 And Exhibit 8 is the U.S. West tariff. It's my
8 understanding that all parties have agreed to stipulate
9 to the introduction of evidence of all eight exhibits,
10 along with any exhibits that are incorporated within them
11 and, on behalf of U.S. West, I would so stipulate.

12 MS. WIEST: No objection to Exhibits 1 through 8,
13 is that correct?

14 MRS. ROGERS: That's correct.

15 MS. CREMER: That's correct.

16 MS. WIEST: So Exhibits 1 through 8 have been
17 admitted.

18 MR. WELK: U.S. West would call as its first
19 witness, Larry Toll.

20 LARRY TOLL,
21 called as a witness, being first duly sworn, testified as
22 follows:

23 DIRECT EXAMINATION

24 Q (BY MR. WELK) Would you please state your name?

25 A Larry Toll.

1 Q And what is your position?

2 A I'm a Vice-president of for U.S. West in South Dakota.

3 Q And what are your duties and responsibilities as
4 Vice-president of U.S. West in South Dakota?

5 A I deal with all the public policy issues with U.S. West.

6 Q Mr. Toll, you've filed the application in this case on
7 behalf of U.S. West, you are the person responsible for
8 filing the application?

9 A I am.

10 Q And have you filed, as part of the application process,
11 what has been marked as Exhibit 2, U.S. West direct
12 testimony and in this case?

13 A Yes, I have.

14 Q And if I ask you all of those questions on Exhibit 2
15 would you give those same answers?

16 A Yes, I would.

17 Q Are there any additions or corrections to that testimony?

18 A No, I don't believe so.

19 MR. WELK: I have nothing further. I'd offer the
20 witness for cross-examination.

21 MS. WIEST: Any cross?

22 MRS. ROGERS: I have no cross. Thank you.

23 MS. WIEST: Miss Cremer.

24 MS. CREMER: Yes, I do. Thank you.

25

CROSS-EXAMINATION

1 Q (BY MS. CREMER) Good afternoon, Mr. Toll.

2 A Good afternoon, Karen.

3 Q If you would look at Exhibit 2?

4 A Uh-huh.

5 Q And on Page 2, on there you state that Sully Buttes will
6 be assuming all of U.S. West contracts. And I'm looking
7 for that quickly. I had it marked.

8 MR. WELK: Line 6.

9 MS. CREMER: Thank you, there we go.

10 Q (BY MS. CREMER) Do you see that?

11 A Yes.

12 Q Could you be a little more specific as to what those
13 contracts are?

14 A We have--we have both customer contracts and carrier
15 contracts that we've entered into and as part of the due
16 process for Sully Buttes I believe they have reviewed all
17 the contracts that we've identified associated with
18 either carriers or customers. That we're aware of in the
19 Sisseton exchange.

20 Q Has U.S. West obtained FCC approval under Section 21 to
21 discontinue service in the wire centers being sold?

22 A No, that's part of the application with the FCC after--
23 assuming that there's approval by the South Dakota
24 commission. The next step, I believe, is to take it to
25 the FCC for that approval.

1 Q All right.

2 MS. CREMER: Mr. Welk, I was going to ask him a
3 question about the governing law in the purchase
4 contract. Do you want the something entered on that?

5 MR. WELK: No, not the nature of it. You want him
6 to look at the purchase agreement, that is a confidential
7 exhibit but if you want to ask a general generic question
8 about that.

9 MS. CREMER: Yes.

10 MR. WELK: You want to give the page and
11 paragraph?

12 A 10.13, Page 27.

13 Q (BY MS. CREMER) And there you'll see that under the
14 governing law, do you see that part?

15 A Yes, I do.

16 Q Okay. And it states it's the state of Colorado. Why is
17 that Colorado and not South Dakota?

18 A You know, I'd have to defer to counsel on that but if I
19 were to take a guess on it it would probably be because
20 they signed with our corporate offices. It was not-- the
21 agreement was not signed in South Dakota but, in fact,
22 was signed through our corporate offices in Colorado.

23 Q Well, would you be the person-- my question would be
24 would U.S. West be willing to agree to amend that to read
25 South Dakota law? Or are you the person that-- my copy--

1 I think U.S. West signed it but if they did I don't have
2 a signed sheet by U.S. West. I don't know who signed it.

3 A It was-- I'm looking on Page 8. I may not--

4 Q Okay. Mine were stuck together.

5 A You don't have Page 29?

6 Q Yeah, I do, mine were stuck together.

7 A Signed by the chairman and president, CEO of U.S. West,
8 Solomon Trujillo.

9 MR. WELK: Wait a second. You want to spell that for
10 her, please?

11 A Solomon Trujillo, T-r-u-j-i-l-l-o.

12 Q (BY MS. CREMER) Do you have the authority to agree to an
13 amendment like that?

14 A I believe the agreement, it was-- the agreement appears
15 to be-- the issue where the governing law is and I think
16 if there's any questions on the agreement itself, those
17 are governed by Colorado law. I mean, I'd defer to
18 counsel but I think that's the way it was signed and I
19 would suspect all of our sales agreements signed by our
20 corporate officers are probably signed so that if there's
21 gonna be some misunderstanding of the agreement itself
22 the appeal would take place in Colorado. I'm assuming
23 that's why it's entered that way.

24 Q So the agreement itself but not necessarily if there were
25 a problem to arise here in South Dakota either customers

1 in Sisseton or a problem-- it's only between you and
2 Sully Buttes that Colorado law would apply, is that what
3 you're saying?

4 A Uh-huh, that's what I'm assuming.

5 Q Do you know what the switched access rates are currently
6 in the Sisseton exchange?

7 A Originating and terminating carrier common line charges I
8 believe a little over six cents a minute.

9 Q And then in front of you is what's been marked as Exhibit
10 8. That's the big--

11 A This, yeah.

12 Q Can you tell us what that is?

13 A I-- what it was purported to be is Mr. Welk offered it
14 was all of the applicable tariff pages that would apply
15 to the products and services that U.S. West currently
16 offers to customers in Sisseton.

17 Q Okay.

18 MS. CREMER: That's all I have.

19 MS. WIEST: Commissioners, any questions?

20 CROSS-EXAMINATION

21 Q (BY MR. BURG) The only one I'd have, you talked about all
22 the contracts remaining in place. How long do those
23 contracts run, generally, or they vary?

24 A I think it's-- and I'm not familiar specifically with the
25 contracts that are-- that are in there. I think if you're

1 talking in terms of carrier to carrier contracts and it's
2 interconnection contracts those, I believe, are three
3 year contracts. If there-- if there were customer
4 contracts that involve special construction and there
5 might be termination liabilities, those could be three or
6 five year contracts, potentially.

7 Q Generally speaking, though, most of the contracts we talk
8 about would run five years then?

9 A I can't imagine one being longer than that, Mr. Chairman

10 CROSS-EXAMINATION

11 Q (BY MS. SCHOENFELDER) Have the customers who have the
12 customer contracts the people you contract with been
13 notified of the sale and the change of--

14 A I don't believe so. I believe there's probably a
15 successor clause in those contracts.

16 Q You don't intend to notify them?

17 A I-- in fact, I don't know if there's notification, I'm
18 not familiar with the contracts themselves, Commissioner.

19 MS. SCHOENFELDER: Thank you.

20 MS. WIEST: Any other questions from the
21 commissioners?

22 CROSS-EXAMINATION

23 Q (BY MS. WIEST) My question was on switched access and
24 prior sale exchanges that have been agreements or
25 understandings between the company U.S. West and the

1 company that's buying with respect to switched access
2 rates, has that been discussed at all between the
3 companies?

4 A I believe, I don't know, is it in--

5 MR. WELK: We need to look at the agreement. If you
6 say you don't know.

7 A Yeah, I don't.

8 Q (BY MS. WIEST) You're not aware of any agreements?

9 A No, I'm not.

10 Q Do you need to look at the purchase agreement?

11 A Yeah, I'm gonna have to--

12 MR. WELK: This agreement is confidential that
13 he's reading from.

14 MS. WIEST: Do you want this-- these numbers to
15 remain confidential?

16 MR. WELK: Yes. On the portion he's gonna give
17 you.

18 Q (BY MR. WELK) I mean, that I guess I'd ask you, Mr. Toll,
19 is the answer to general counsel's question contained in
20 the purchase agreement?

21 A Yes, it is.

22 Q And what paragraph is it, particularly?

23 A 7.1.9, Tariffs.

24 MR. WELK: What I'd propose, General Counsel, is to
25 take that page, mark it as a confidential, to answer your

1 question.

2 MS. WIEST: Okay.

3 MR. WELK: If that's all right.

4 MS. WIEST: We'll add it as Exhibit 9. And you
5 want that to remain confidential?

6 MR. WELK: Yes.

7 MR. BURG: What's the document description?

8 MR. WELK: It's the purchase agreement between
9 the two companies and the paragraph, Mr. Toll, was--
10 A 7.1.9.

11 MS. WIEST: That's all I have. Is there any
12 redirect?

13 MR. WELK: Just one clarification point.

14 REDIRECT EXAMINATION

15 Q (BY MR. WELK) I think you said that in regards to
16 contracts that Ms. Cremer asked you about. Was part of
17 the due process of-- I think those were the words, you
18 meant-- you meant due diligence?

19 A Due diligence, pardon me.

20 Q For the record, what do you mean by due diligence?

21 A As part of the sale process the buyer, Sully Buttes, had
22 the opportunity to go in and review all the documents
23 related to the Sisseton exchange and there was a variety
24 of data that they reviewed, some of which would have been
25 the contracts that we produced regarding customers or

1 carriers in the Sisseton exchange.

2 Q So the technical people, the lawyers from the Sully
3 Buttes company they're purchasing that had an opportunity
4 to review all the contracts out in Denver, is that
5 correct?

6 A Yes.

7 MR. WELK: That's all I have.

8 MS. WIEST: Thank you. Has that been marked then?
9 You may call your next witness.

10 MR. WELK: U.S. West would call Brad Blinsmon.

11 BRAD BLINSMON,
12 called as a witness, being first duly sworn, testified as
13 follows:

14 DIRECT EXAMINATION

15 Q (BY MR. WELK) Please state your name?

16 A Brad Blinsmon.

17 Q And where do you reside?

18 A Denver, Colorado.

19 Q And by whom are you employed?

20 A U.S. West.

21 Q And what are your duties and responsibilities for U.S.
22 West?

23 A I'm a property tax manager for U.S. West and my
24 responsibility is basically doing the returns and
25 payments for U.S. West for property tax purposes.

1 Q Prior to being employed by U.S. West where were you
2 employed?

3 A I was employed by the State of South Dakota at the
4 Department of Revenue.

5 Q And what was your function in the Department of Revenue?

6 A I appraise utility companies for property tax purposes.

7 Q You have filed direct testimony that's been marked as
8 Exhibit 3, is that correct?

9 A Yes.

10 Q And you have filed supplemental direct testimony that's
11 been marked as Exhibit 4, is that correct?

12 A Yes.

13 Q And what was the reason for the supplemental direct
14 testimony?

15 A Initially I was looking basically just at Roberts County.
16 Later on it came to light that Marshall County had a
17 little piece involved in that.

18 Q Your testimony relates generally to the taxes that are
19 paid by U.S. West currently?

20 A Yes.

21 Q And initially there was-- the taxes were you thought were
22 just paid to Roberts and then later was determined that
23 there's a piece of the exchange that was in the other
24 county?

25 A Yes.

1 Q In Marshall County?

2 A Yes.

3 Q If I ask you those questions in Exhibits 3 and 4 would
4 you give the same answers?

5 A Yes.

6 MR. WELK: I have nothing further.

7 MRS. ROGERS: I have no cross.

8 MS. WIEST: Miss Cremer?

9 MS. CREMER: No, I don't have anything.

10 MS. WIEST: Commissioners?

11 MR. BURG: No.

12 MS. WIEST: No more questions?

13 MR. WELK: General Counsel, that concludes all the
14 witnesses from U.S. West.

15 MS. WIEST: Miss Rogers, any witnesses?

16 MRS. ROGERS: Yes. Sully Buttes would call Randy
17 Houdek.

18 RANDY HOUDEK,
19 called as a witness, being first duly sworn, testified as
20 follows:

21 DIRECT EXAMINATION

22 Q (BY MRS. ROGERS) Would you please state your name?

23 A Randy Houdek.

24 Q And where are you from, Randy?

25 A Highmore, South Dakota.

1 Q What is your occupation?

2 A General manager of Sully Buttes Telephone and Venture
3 Communications.

4 Q Approximately how long have you been engaged in that
5 position?

6 A General manager for approaching three years, with Sully
7 Buttes for about 13 years.

8 Q What did you do prior to becoming program manager?

9 A Office manager.

10 Q Randy, I'm going to show you what's been marked as
11 Exhibit 5 and also Exhibit 6. Are you familiar with
12 those?

13 A Yes, I am.

14 Q Those consist of your pretrial testimony and also your
15 rebuttal testimony, is that correct?

16 A That's correct.

17 Q And we're gonna go through some of the questions that
18 you've responded to here but if-- I think that maybe
19 we'll elaborate on some of the things we've stated here
20 and possibly clarify them. First of all, can you describe
21 Sully Buttes telephone cooperative?

22 A I'll try. We're a-- we're a cooperative, we're
23 incorporated in 1952. We currently serve a little over
24 11,000 customers offering local and long distance,
25 Internet service. We've got cable t.v. in a number of our

1 exchanges. We currently hold some wireless licenses, too,
2 that we hope to operate soon.

3 Q There has been some questioning, I think, in fact, the
4 original joint application which is Exhibit #1 is in the
5 name of Venture Communications and Sully Buttes Telephone
6 Cooperative.

7 A All right.

8 Q Can you describe Venture? Tell the commissioners what
9 Venture is?

10 A Venture is a wholly-owned subsidiary of Sully Buttes.
11 Prior to January 1 Venture Communications was the company
12 that operated the little over 7,000 lines that we bought
13 from U.S. West back in '96. But, effective January 1, we
14 merged Venture into the cooperative.

15 Q So from the time then that you entered into the purchase
16 agreement with U.S. West to the present time or even
17 January 1 of 2,000 has the situation with Venture
18 changed?

19 A If I understand you correctly, yes. When-- I'll change
20 your question a little bit. When we-- when we entered
21 into the negotiations to purchase the Sisseton exchange
22 it was prior to the merger of Venture and Sully Buttes
23 and at that time we had intended to purchase Sisseton by
24 Venture. Now that Venture is part of Sully Buttes we
25 don't have any telephone assets at Venture currently.

1 Q So as you sit here today who will be the purchaser of the
2 or who is the purchaser of the Sisseton exchange?

3 A Ultimately it's going to be Sully Buttes.

4 Q Okay. And Sully Buttes then is a cooperative?

5 A That's correct.

6 Q And so today you are seeking approval from the commission
7 to approve the sale to Sully Buttes Telephone
8 Cooperative?

9 A Correct.

10 Q Now, I want to talk a little bit about the ability of
11 Sully Buttes to provide modern state-of-the-art
12 telecommunications services if we do. Can you please
13 describe how you will be offering services in Sully or in
14 Sisseton from a technical standpoint?

15 A I'm not a technician but what-- immediately following the
16 sale we'll be hosting the Sisseton office through U.S.
17 West off the Watertown switch. When we have a good idea
18 of when we're going to take possession we will order--
19 and we have-- we already have on order from Nortel a new
20 switch and we plan to install that as soon as possible.

21 Q What kind of switch is that?

22 A It's a Nortel DMS-10. It's a standalone switch.

23 Q Are you confident with with the installation of this
24 switch that you will be able to offer state-of-the-art
25 telecommunication service in the Sisseton exchange?

1 A Absolutely.

2 Q What about customer services and repairs, how do you
3 intend to handle those issues?

4 A Customer service, currently we-- our headquarters is in
5 Highmore and we have-- all of our current customers when
6 they have questions or want to change their service or
7 even repair service it's a toll-free call to Highmore and
8 that's how we anticipate handling customer service for
9 Sisseton, as well. From a technical standpoint, today we
10 have three technicians stationed within 20 miles of
11 Sisseton. Obviously at some point we hope to station a
12 man or a person in Sisseton itself. We have talked to the
13 current U.S. West employee about possible employment. But
14 we don't know where that's going to lead.

15 Q When you say within 20 miles, you have exchanges within,
16 what, a 20, 25 mile radius of Sisseton now?

17 A We currently offer service in Rosholt, Britton, Pierpont
18 and Langford.

19 Q And you provide--

20 A And Roslyn.

21 Q And you provide repair services in all of those exchanges
22 now?

23 A Yes.

24 Q With regard to the adequacy of service in Sisseton, we've
25 talked some about the services that are available to the

1 people now, are you confident that you will be able to
2 offer, to the best of your knowledge, the same type of
3 services in the Sisseton exchange after the sale?

4 A Yes.

5 Q What about rates? What rates will you charge, first of
6 all, for local service?

7 A As-- pursuant to the purchase agreement, we plan to
8 charge the same rates after the sale as the customers are
9 paying prior to the sale.

10 Q Do you know what the basic rate is for local residential
11 service?

12 A In most cases-- in Sisseton it's going to be 15.75 for
13 residential service and 29.65, I believe, for a business
14 customer.

15 Q Okay. So for the current customers that are here now,
16 what they are paying now for a service, whatever it
17 happens to be --

18 A Yes.

19 Q -- you're saying that is what they will pay after the
20 sale takes place?

21 A Correct.

22 Q What about for new customers that may move into the area?

23 A Those same rates I gave you earlier, the 15.75 and the
24 29.65. For business rate lines.

25 Q And if for other services you would follow--

1 A Whatever the U.S. West tariff states today.

2 Q That's what they would be charged?

3 A Yes.

4 Q Now--

5 A If I can elaborate. Currently, to my knowledge, U.S. West
6 doesn't offer voice mail in Sisseton and when we get our
7 switch installed we will be offering voice mail. And
8 it'll be at the rate that we offer voice mail in Sully
9 Buttes exchanges which is currently a little bit less
10 than what U.S. West offers.

11 Q In other of their exchanges, you mean?

12 A Yes.

13 Q And there is, I believe, perhaps in your rebuttal
14 testimony, there is one service that you would propose to
15 have treated a little bit differently and that would be
16 for LMS. Can you please explain that to the
17 commissioners?

18 A LMS is local measured service and that's a product that
19 U.S. West offers where, for a somewhat lesser fee, they--
20 the customer receives a fixed number of hours of service.
21 We currently don't offer that in any of our exchanges and
22 the last time we purchased exchanges from U.S. West the
23 way we dealt with that is we offered the customer full
24 unlimited service for the local measured service rate
25 meaning we didn't meter it. For whatever period the

1 freeze was in effect.

2 Q Now, let's-- and you would request the commission to
3 approve the sale subject to the same way you've handled
4 it on other exchanges?

5 A Yes.

6 Q Let's talk a little bit about the contracts that have
7 been the subject of some questions earlier today. Did,
8 you in fact, did Sully Buttes conduct due diligence?

9 A Yes, we did.

10 Q Basically what did that consist of?

11 A We were required to go to what was called the data room
12 in Denver. And myself, Randy Olson, my operations
13 manager; Kevin Doyle, our CPA; Harvey Kelly, a consultant
14 and Brian Meyer, our attorney, went to the data room and
15 while you're at the data room you're allowed to look at
16 all of the printed records that U.S. West made available
17 to us and we did that. As far as the contracts are
18 concerned, we went through the contracts and found
19 nothing there that we felt would give us any problem in
20 providing service in Sisseton.

21 Q You're-- now under the terms of the purchase agreement
22 again, speaking just generally, you will assume the
23 obligations of the contracts from U.S. West?

24 A That's correct.

25 Q And based upon your due diligence you do not anticipate

1 any problem being able to do that as a company?

2 A No. We-- it was a similar process as last time and we had
3 no problem last time.

4 Q So Sully Buttes will not actually receive copies of the
5 contracts until when?

6 A After we close.

7 Q And is that normal?

8 A That's the way it was handled last time.

9 Q I want to talk a little bit about taxes. If-- what kind
10 of tax do you pay?

11 A Gross receipts.

12 Q And that's a little bit different than U.S. West?

13 A Yes.

14 Q Did you make some calculations and estimates with regard
15 to payment of taxes?

16 A We did. Both for the proforma that we went-- we went
17 through prior to bidding and then also in response to the
18 commission's questions.

19 Q And can you just basically tell the commissioners what
20 you did with regard to how you arrived at your
21 calculations on taxes? And then I'll ask my next
22 question.

23 A Okay. We took-- in our current company the gross revenue
24 that we receive from customers in Sully Buttes and in
25 Venture. And use that same average to arrive at a gross

1 receipts that we expect from the Sisseton customers.

2 Q And did you find that there were-- do you feel that there
3 would be-- well, first of all, what did you determine?

4 A Using those calculations and applying the gross receipts
5 rate to it we estimated between 50 and \$60,000 per year.

6 Q And is that comparable to what U.S. West is paying
7 according to the prefiled testimony?

8 A Comparable, maybe a little bit more.

9 Q Are you satisfied that there will not be a negatively
10 adverse impact on the amount of taxes paid --

11 A Yes.

12 Q -- as a result of the sale? We have talked in our
13 prefiled testimony about EAS services, do you know if
14 there are currently any EAS services in the Sisseton
15 exchange?

16 A There are but don't ask me the name of them right now.

17 Q Question 13.

18 A All right.

19 A Currently there's EAS between Claire City, New Effington,
20 Peever, Rosholt and Veblen.

21 Q And do you plan on continuing with those arrangements?

22 A Yes.

23 Q What about emergency services, 911 and E-911?

24 MR. WELK: Can we get in the record what the
25 definition of EAS is.

1 MRS. ROGERS: Oh, I'm sorry. Extended area
2 service agreements.

3 A Your question was 911?

4 Q (BY MRS. ROGERS) 911 or E-911.

5 A It's my understanding that currently Sisseton does not
6 have E-911 service.

7 Q What are your intentions in that regard?

8 A Just as as we have in every other county we've served, we
9 cooperate to the extent possible with the county
10 officials in providing E-911.

11 Q And you would intend to do that in Sisseton, as well?

12 A Yes.

13 Q Under South Dakota law it's, in particular, SDCL 49-31-60
14 and 61, "Seek to insure that all citizens of South Dakota
15 realize the advantages of the forthcoming information age
16 including economic development, educational
17 opportunities, a heightened level of medical care and
18 better, more efficient services for all levels of
19 government." Randy, do you believe the sale of the
20 Sisseton exchange to Sully Buttes is consistent with
21 those goals?

22 A Yes.

23 Q Can you explain how Sully Buttes has been and will
24 continue to remain committed to promoting economic
25 development within the community?

1 A Briefly. Our board of directors is a strong believer in
2 supporting rural economic development. And we-- we make
3 it a point to encourage our employees to involve
4 themselves in local chambers of commerce and civic
5 organizations. We spend a great deal of money donating to
6 these organizations, as well. It's-- aside from being the
7 right thing to do, it's in our best interests, as well.

8 Q What about educational opportunities?

9 A We-- for our students, for our-- in the towns we serve?

10 Q Within the Sisseton exchange or in the towns in which you
11 serve now?

12 A Again, we support our schools as best we can. We offer
13 scholarships to students coming from our service area.
14 And we participated in the governor's Connecting the
15 School Program which was a plan to provide high link
16 services between all the schools in the state.

17 Q Randy, if Sully Buttes purchases the Sisseton exchange
18 will residents or people living within the exchange
19 become cooperative members?

20 A Yes, they will. It's our intention to make Sisseton part
21 of the Sully Buttes cooperative from Day One and the
22 customers of Sisseton cooperative members. And that will
23 give them voting rights as far as voting for directors,
24 by-law change, articles of incorporation, as well as
25 receiving capital credits.

1 Q Do you believe that this would be an advantage and
2 benefit to the people in the Sisseton exchange?

3 A Absolutely. They become owners of the company.

4 Q Okay. In your opinion, is this sale in the public
5 interest?

6 A Yes.

7 Q And why do you say that?

8 A For all the reasons we stated earlier. These people are
9 going to have the opportunity to own their company and
10 have a say in the direction of it. Benefit from its
11 growth.

12 Q And you believe that you can provide the same quality of
13 services or even better services at the same rates?

14 A Yes.

15 Q And you can provide emergency services and there will not
16 be a negative impact on taxes?

17 A Yes.

18 Q Thank you. With regard to the questions that were asked
19 on Exhibits 5 and 6, we ask you these today would these
20 be your answers?

21 A Yes.

22 MRS. ROGERS: And I would offer the witness for
23 cross.

24 MS. WIEST: Mr. Welk, any questions?

25 MR. WELK: No questions.

1 MS. WIEST: Miss Cremer?

2 MS. CREMER: Yes, thank you.

3 CROSS-EXAMINATION

4 Q (BY MS. CREMER) Good afternoon, Randy.

5 A Hi.

6 Q Is there any difference in the Sisseton exchange as it
7 currently exists between the city and rural residential
8 rates?

9 A What there was in the other exchanges we bought from
10 U.S. West is they had an outside base rate charge. If a
11 person lived outside a certain geographic area U.S. West
12 would charge them a slightly higher rate. In the last
13 purchase there was a rate freeze and so we kept those
14 rates in effect. After the 18 months-- month freeze was
15 lifted we removed those. So currently in Sully Buttes we
16 don't have a geographic charge. If there is a geographic
17 charge in place today we'll abide by that.

18 Q Okay. Is there a difference, do you know, between
19 business, city and rural rates currently in Sisseton?

20 A I don't know that.

21 Q Okay. And would it be the same, though, after the 18
22 month moratorium, you would move to make those uniform?

23 A We would charge the same for a business inside town as we
24 do for outside of town.

25 Q Right, okay. How are trouble reports currently handled in

1 Sully Buttes? Does someone actually-- is there someone
2 there 24 hours a day to answer the phone for trouble
3 reports and that or is there an answering machine or how
4 do you do that?

5 A We-- our normal business hours we transfer all calls to a
6 24-hour answering service. When the calls are received
7 out there if it is a situation that requires immediate
8 assistance we have employees on call and they have a
9 call-out list, this answering service will find the
10 proper technician to to take care of it.

11 Q And did I understand your testimony, you are placing or
12 plan on placing redundant fiber routing capability, is
13 that to be installed?

14 A It's our plan. The highway con-- highway from here to
15 Britton is under construction. And whenever those plans
16 are finalized we plan on placing fiberoptic cable along
17 that route. And that will provide us redundant--

18 Q You don't know when?

19 A As soon as the state decides what they're gonna do, then
20 we will--

21 Q Okay.

22 A We'll have an idea.

23 Q Do you know how many school districts there are in the
24 Sisseton exchange?

25 A Not off the top of my head.

1 Q Do you know, do the school districts that serve each of
2 those towns, is that a toll call? Well, I guess my
3 question is will those kids in school have to make a toll
4 call to whatever school they're going to or is that local
5 calling?

6 A We don't plan to change it. If it's a long distance call
7 today then I suspect it would be a long distance call
8 after we take over unless there was an application for
9 EAS.

10 Q You don't have any new EAS routes planned?

11 A No.

12 Q Okay. What are your current customer service hours?

13 A Eight to five, currently. We hope this summer to
14 implement an extended day. Using staggered hours. We hope
15 to shoot from 7:30 to 5:30.

16 Q Eight to five, Monday through Friday?

17 A Yes.

18 Q And in that 24 hour system that this rolls over to, is
19 that something local?

20 A It's handled through Golden West Tele-tech out in Rapid
21 City.

22 Q You said if a customer had a call to make to Sully Buttes
23 it would be a toll free call. How is that number
24 published?

25 A It's in the directory and in each exchange that we serve

1 we have a listing in there that gives the number to the
2 customer. Additionally, it's in the front part of the--
3 first few pages of the directory.

4 Q Is it also on their monthly bill?

5 A Yes.

6 Q Okay. Do you have some sort of tracking system for
7 complaints, some sort of mechanism so if you see a
8 trouble spot somewhere within the system?

9 A Yes, we do. We track that both with our service order and
10 trouble ticket software. Additionally, we have a program
11 where we mail out postcards with-- postage free--
12 postcards attached to where any time a customer gets--
13 installs Internet service or has a new service offered,
14 some service work done, we randomly send those people
15 cards and ask them to rate our product and our service
16 people.

17 Q What switched access rates are you planning on charging?

18 A That was part of the purchase agreement.

19 Q Okay. And if I understood you correctly, it's Sully
20 Buttes that's buying and they'll provide all the services
21 currently offered by U.S. West, is that correct?

22 A Currently, with the exception of LMS.

23 Q If-- okay, regarding LMS, if I understand you, that will
24 be provided to all those customers that are currently
25 taking it?

1 A Yes.

2 Q But will not be offered to new customers?

3 A That's correct.

4 Q The services that are currently offered by U.S. West, do
5 you know what those services are? Do you know what those
6 services are?

7 A For the most part, it's-- it was on a list that was
8 provided, the basic services. It's a--. It would be
9 Exhibit A to Exhibit 6.

10 Q Okay. Would you look at Exhibit A then?

11 A Yes.

12 Q Are you there?

13 A I am.

14 Q Okay. If I get basic local lines you've got it, that
15 would cost me 15.75, is that right?

16 A Yes.

17 Q Broadcast fax doesn't cost me anything?

18 A Broadcast fax in the way that we offer it is more of a
19 function of the fax machine as opposed to the switch.
20 I'm-- I'm not sure how U.S. West provided that.

21 Q Okay. Call management features?

22 A We have toll restriction, pin number, that's what we
23 refer to as call management. If you wanted to disallow
24 your employees from making long distance calls
25 unrestricted we have the software to require them to put

1 in a pin number.

2 Q What do you charge for that? Or what does U.S. West
3 charge for it?

4 A I don't know, we charge a dollar a month.

5 Q What does U.S. West currently charge in Sisseton, what
6 will you be--

7 A Without looking through their tariff I can't answer that.

8 Q And that tariff's right in front of you in Exhibit 8,
9 right? Exhibit 8 in the big brown folder there?

10 A Yes.

11 Q Have you looked through that for that?

12 A For that particular feature, no. But I have looked
13 through the tariff.

14 Q And do you know-- do you know if it's in there?

15 A I don't know. I have to assume it is. If it's a service
16 that's regulated by the commission it has to be in there,
17 doesn't it?

18 Q That's my question to you. I mean, I can't answer your
19 questions. My question is have you looked at it and you
20 know it's in there, you just don't know where or you
21 don't know for sure that it's in there?

22 A I don't know for sure that it's in there.

23 Q Okay. On call waiting it shows \$5, that's what U.S. West
24 currently charges. And that's what Sully will charge.
25 What about call forwarding, there's no price on that

1 currently?

2 A It's in there. And we'll charge the same rate as U.S.
3 West.

4 Q Again, do you know for a fact that it's in that tariff?

5 A This is a service that's regulated by the commission?

6 Q No, class services are not.

7 A Okay.

8 Q The concern I have is you don't know what they're
9 charging so I'm not-- so when are you going to know what
10 they're charging so you know what you're charging the
11 people?

12 A When we get the records from U.S. West.

13 Q Uh-huh.

14 A It will have a printout of all the services. And all the
15 customers that are taking those services and then we'll
16 know exactly what each person is paying. If I sit here
17 and tell you today that every person in town is paying
18 15.75, that would be inaccurate because of services or
19 products that U.S. West may have rolled out. It seems in
20 my estimation from prior experience that they would offer
21 promotion and grandfather rates. So I don't want to sit
22 here today and say that everybody's gonna pay 15.75
23 because there might be a few people on the street that
24 are paying 14. There might be some that are paying 16.
25 I'm saying that the day that we take over service the

1 rates won't change. And I've given you the rates that a
2 new person moving to town would pay.

3 Q Okay. Looking at class services, which is about in the
4 middle of that Exhibit A.

5 A Yeah.

6 Q This is your exhibit, right?

7 A Yes.

8 Q Okay. And it says, "Including caller I.D. at 6.95," is
9 that what you anticipate charging them?

10 A Yes.

11 Q Okay. Now what about continuous redial, call rejection,
12 last call return, priority call, selective call
13 forwarding, call blocking, I'm going to get all that in
14 Sisseton for 6.95?

15 A If that is a package that they offer today, yes. I would
16 have to look through the tariff to find that particular
17 package.

18 Q Okay. Again, do you know if that's in that tariff?

19 A I assume that's in that tariff.

20 Q And I-- you assume because you've read it or you assume?

21 A Because I have looked through it, I've seen class
22 features priced in there.

23 Q You just-- but you couldn't show it to me now?

24 A Well, I could if you give me enough time.

25 Q Okay. With the contracts that you have stated that you

1 will be assuming of U.S. West, were you part of that new
2 due diligence team?

3 A Yes.

4 Q And you looked at those contracts and you have no
5 problem-- Sully Buttes will have no problem fulfilling
6 those?

7 A That's correct.

8 Q Do you know what those contracts are, in particular?

9 A No. We look through a-- several boxes of contracts.
10 Looking for things that were going to present a problem
11 to us.

12 Q Regarding the analog carrier system in the Sisseton
13 exchange?

14 A Yes.

15 Q Do you have any plans to upgrade that system from
16 Anaconda in the near future?

17 A No written plans. However, as we've done in Sully Buttes
18 and in Venture, we're working towards replacing all of
19 those systems. Currently we're working on a fiber in the
20 loop upgrade.

21 Q You were talking to your attorney about the taxes that
22 are collected, could you tell us how those are dispersed,
23 do you know how that's dispersed once collected? Because
24 Sully Buttes is buying it?

25 A And it's the same for Venture as it is for Sully. The way

1 it works is the customers live in a certain school
2 district. We place that in the customer's profile. And we
3 track the revenues that that customer spends and when we
4 generate the gross receipts payments we send them right
5 to the county auditor who then gives them to the school.

6 Q And how's that different than when U.S. West paid taxes?

7 A Again, I don't-- you maybe could ask a U.S. West person
8 that but, as I understand, it's an ad valorem tax and the
9 state determines how much taxes U.S. West should pay to
10 each county.

11 Q But they were dispersed differently?

12 A They're given to the county general, I believe, whereas
13 ours go to the school districts.

14 Q Right. I think the city and county with U.S. West, is
15 that right? City and county entities?

16 A That's my assumption.

17 Q Okay. I believe you said that the Sisseton switch is a
18 remote switch that's dependent on the Watertown house
19 switch, is that correct?

20 A Yes.

21 Q Currently. If for some reason the switch were to go down,
22 is there some sort of written agreement before you get
23 your new switch in, how will the people in Sisseton get
24 service if something goes wrong with the switch in
25 Watertown?

1 A Exactly as they do today. I think-- and, again, I'm not a
2 technician but I believe that the people in Sisseton will
3 be able to make and receive local calls. I don't know
4 how, if they will be able to make long distance calls
5 until that is repaired.

6 Q And you've got an agreement with U.S. West that they will
7 continue, even though they don't own the Sisseton
8 exchange anymore, they will continue to provide whatever
9 service is needed to that Watertown switch?

10 A We've done this the last time we purchased exchanges we
11 entered into a switching and transport agreement with
12 U.S. West.

13 Q And you'd do that after the sale is complete?

14 A Yes.

15 Q Okay. When do you expect to hear whether Sully Buttes'
16 loan has been approved?

17 A I've got a verbal commitment from the lending
18 institution. We-- I expect to hear something in the next
19 two to four weeks. Or have written notification.

20 Q Was there a reason Sully Buttes didn't provide staff with
21 the services and rates when we've asked for 'em?

22 A It's similar to what I explained to you earlier. Because
23 U.S. West, in our experience with the other persons,
24 doesn't charge exactly the same rate for every person or
25 customer in an exchange I didn't want to tell you that

1 everybody's gonna be paying the same rate because they're
2 not today. And-- but it is our understanding that our
3 expectation to charge everybody after the date we take
4 service, every new customer that signs up would be
5 charged at the same rate. Does that answer your question?

6 MS. CREMER: No, but-- it hasn't all along, so.
7 That's all I have, thanks.

8 MR. BURG: I've got just a couple.

9 CROSS-EXAMINATION

10 Q (BY MR. BURG) You mentioned about voice mail being
11 offered and maybe you talked about another service or
12 two. Are there any other services that you'll be offering
13 that U.S. West does not now offer?

14 A No. Voice mail is the main one. There might be a few what
15 I'd call minor switch features. The pin restriction,
16 items like this that I don't know if U.S. West offers but
17 we do.

18 Q Do you know how many local measured service customers
19 there are in the exchange?

20 A You provided that to me that day in Pierre. Seems like it
21 was 140, 150, total.

22 MR. WELK: Wait a second. I think we've provided
23 that under our confidentiality as to the number.

24 MR. BURG: Why would it need to remain
25 confidential since it's going to be a frozen number and

1 it will be terminated at some point with a new exchange?
2 Why would it be--

3 MR. WELK: Well, when you're in a public forum I
4 don't know if someone else, a competitor or not, we've
5 given it to staff, we've given it to them and you can
6 have the numbers, all the numbers you want and more.

7 MR. BURG: That's okay.

8 Q (BY MR. BURG) and that raises a question. How long will
9 local measured service be offered to the current people
10 who have current measured service? At some point do you
11 intend to eliminate that?

12 A We did last time and it was absolutely a non-issue to the
13 customers in the Venture exchange. It-- again, we-- I
14 don't know that we had one negative comment on it. But at
15 some point in time we'd probably look into it. They're
16 our customers. They will be the owners. They'll probably
17 have more representation, we'll do what the board of
18 directors says.

19 Q Do those contracts that are with U.S. West now do you
20 know if they have a limited duration, the LMS contracts?

21 A I don't believe so. But I don't know that.

22 Q Let's see. I think you've answered this one, I had it
23 written down. You said that you'd be making the customers
24 of Sisseton full members of Sully Buttes at the time of
25 transfer?

1 A That's our intention.

2 Q So immediately it's going to be purchased by Venture
3 until you get the loan approved, is that correct?

4 A Right. And I fully expect we'll have the loan approved
5 prior to the close of the sale. And what we'll probably
6 do is Venture will buy it and immediately assign it to
7 Sully Buttes.

8 Q Now that's not what did you in other exchanges you
9 purchased?

10 A No.

11 Q Why the difference here?

12 A That was more of a lending requirement. At the time we
13 purchased Venture. We had a loan with Russ for Sully
14 Buttes and we weren't able to finance the acquisition
15 through that same lender so we went to RTFC and it was
16 something that all of the companies about that time, not
17 all of 'em, but most of them about at that time were
18 required to go through. And this particular case we've
19 evidently provided the lenders with enough confidence to
20 allow us to just borrow the money and roll right into the
21 company.

22 Q Does Venture have any-- does Venture have any exchanges
23 now?

24 A No.

25 Q And this will be the only one, if at all, for a short

1 period of time?

2 A For a matter of minutes.

3 Q But do you still intend to keep Venture as a subsidiary?

4 A In Venture we've got our cable t.v. and some deregulated
5 services. Our wireless licenses happen to be under
6 Venture. Venture will be around. It's just not a
7 telephone company right now.

8 Q Will your new switch have all that are functionally
9 necessary to offer 911 and E-911?

10 A Yes.

11 Q The only reason that it wouldn't be offered right away is
12 because the county has not chosen or the city has not
13 chosen to provide it yet?

14 A That's correct.

15 MR. BURG: I guess that's all I have.

16 MS. NELSON: I have just a couple.

17 CROSS-EXAMINATION

18 Q (BY MS. NELSON) I think you added them by yourself. And
19 I'd like to go back to the taxes and gross receipts
20 taxes. If I understand this right, gross receipts taxes
21 are going to school districts. Do they all go to the
22 school district?

23 A Yes.

24 Q And centrally assessed taxes then go to the cities or
25 counties?

1 A Yes.

2 Q Into the general county thing and so schools get nothing,
3 I mean, none of that?

4 A That's my assumption. You know, a school has a budget.
5 And the taxes either come in the case of our-- schools in
6 our area, a portion of that budget is satisfied with the
7 gross receipts. In a U.S. West town that budget comes out
8 of the general, I suppose. You--

9 Q Do you know if there's an impact? What impact it would be
10 on the school district?

11 A In the case of--

12 Q Sisseton?

13 A Sisseton? I suspect it would be a positive impact. Again,
14 they've got a budget. If they--

15 Q Because they'd be getting something that they didn't get
16 before, right?

17 A Their funds would come from someplace else.

18 Q To the best of my knowledge and I guess I can ask an U.S.
19 West person--

20 A Yeah.

21 Q They centrally assessed taxes don't go to the school
22 district?

23 MR. WELK: You want to ask Mr. Blinsmon? He's the
24 guy that did it for the state.

25 MS. NELSON: I can call him back.

1 A Okay, thank you.

2 MS. NELSON: I was just concerned about what
3 impact it would have on the school districts.

4 Q (BY MS. NELSON) You said about this measured service that
5 if they have it now, they-- you're gonna give them the
6 flat rate and you said that-- is that for 18 months?

7 A At a minimum. We-- you know, we don't have concrete plans
8 to eliminate that rate at the end of 18 months. And
9 Venture did-- was probably closer to two years. But we
10 did eventually eliminate it.

11 Q You said that it would be your intent to offer everybody
12 the same rate that they have currently with U.S. West?

13 A Yes.

14 Q Is that for 18 months too?

15 A Yes.

16 Q Okay. Now if they're gonna pay the same rate tell me,
17 explain a little bit about why you wouldn't be
18 comfortable saying that everybody's gonna pay like the
19 15.75 because people might have been grandfathered, is
20 that-- can I assume that U.S. West is charging different
21 people a whole lot of different rates?

22 A I don't--

23 Q I mean-- I mean, otherwise, why aren't you comfortable
24 making that assurance?

25 A Just because in prior experience when we got the records

1 we had hundreds of USOCs, Universal Service Order Codes,
2 and we had a dozen of essentially the same product and
3 they might be cents off or dollars off. It was the same
4 product but for whatever reason, I think due to prior
5 promotions it was at slightly different rates. Maybe part
6 of a package. And then they were grandfathered in. So we
7 left-- Person A may get a dial tone for 15.75 and Person
8 B might get it for 15.50. It's the same thing but
9 slightly different rates because of a package or
10 whatever. And we just didn't mess with those for the
11 period of the freeze. We eventually consolidated 'em and
12 narrowed 'em down as we could.

13 Q And taking them into the coop immediately and giving them
14 immediately voting rights is different than you've done
15 in the past sometimes, too, right?

16 A Yes. Yeah, when we purchased Venture they were
17 non-cooperative members from June of '96 to January 1 of
18 this year.

19 Q Is there a reason that you're doing it this time although
20 I think it's a positive thing?

21 A It's better for the consumer, number one. Number two,
22 it's much more efficient from an operations standpoint.
23 It's alot easier to not keep two sets of books and two
24 service order trouble ticket, everything we did we did
25 twice. We expect to be alot more efficient.

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22 it's much more efficient from an operations standpoint.
23 It's alot easier to not keep two sets of books and two
24 service order trouble ticket, everything we did we did
25 twice. We expect to be alot more efficient.

1 MS. NELSON: Thank you.

2 A You're welcome.

3 MR. WELK: Commissioner Nelson, in answer to your
4 question we provided about taxes, U.S. West provided to
5 the staff, through discovery, some of the receipts that
6 we got from the counties to pay them. Just to give you an
7 example, this was the receipt that was received from
8 Marshall County. Just to show you how it's spread out.

9 MS. CREMER: Do you want to put that in as an
10 exhibit then, Tom?

11 MS. NELSON: She can put it in, that would be
12 good.

13 MS. WIEST: We'll add that as an exhibit. Mark
14 that as a-- mark that as Exhibit 10.

15 MS. SCHOENFELDER: Miss Rogers and Mr. Welk, my
16 questions are going to deal with access rates and the
17 contracts. If you want to clear the room I'm going to ask
18 the questions. So if you want to clear the room, that's
19 up to you. The other questions I'm going to ask concern
20 ETC status and the speed that's going to be offered in
21 this system. If you have problems with people in the room
22 with the questions I'm gonna ask then I'm gonna ask you
23 to clear the room because I want to ask the questions.

24 MR. WELK: That's fine. Yes, we will. On-- that
25 are not signed confidentiality agreements. There has

1 been-- a protective order's that's been signed by the
2 staff and the appropriate people but not-- if they've not
3 signed it and these questions go to some of the issues on
4 the purchase agreement, yes.

5 MS. SCHOENFELDER: If the access rate that Sully
6 Buttes is gonna charge is part of the purchase agreement
7 then that's what I'm going to ask.

8 MR. WELK: Yup, and that's-- and we will claim
9 that as privileged.

10 MS. SCHOENFELDER: Then I will ask that the room
11 be cleared. From everyone who hasn't signed a
12 confidentiality agreement.

13 (Members of the audience then left the room.)

14 (Off-the-record discussion held at this time.)

15 MS. WIEST: On the record. My question was with
16 respect to switched access, though, is how do you charge
17 one company a different switch access rate than you
18 charge another company. Legally, we set the statute
19 rates, we'll--

20 MR. WELK: Right, these rates have agreed to be
21 held firm by the purchase agreement. Somebody wants to
22 complain about the rate being different they're gonna
23 have to come in and make a complaint and say this was the
24 confirmed rate that was here. You're gonna make that
25 decision. You did before.

1 MS. WIEST: Right. And it wasn't confidential was
2 my point before.

3 MR. WELK: That what wasn't confidential? The
4 length and the term?

5 MS. WIEST: Right, through the other. I've looked
6 through some of the other commission orders and the
7 entire rate is spelled out with the three elements right
8 in that order.

9 MR. WELK: Well, I'll be glad to go back and look
10 again and see what it is but that's what my client has
11 directed me to keep confidential. If they want to change
12 that I can or if you say you don't think it's
13 confidential you can make that decision.

14 MS. WIEST: You can go ahead.

15 CROSS-EXAMINATION

16 Q (BY MS. SCHOENFELDER) I don't think my questions are
17 gonna go to what your switched access rates were, my
18 questions were, Mr. Houdek, and I want to know-- well, I
19 know at least from what the switched access rates that
20 are on file and approved by this commission that you will
21 roll your switched access rates into the LECA rate, is
22 that not true, after the purchase?

23 A As this says here, we will agree for the first six months
24 to adopt the U.S. West rates and then after that we'll--

25 Q That's for access also?

1 A Yes.

2 Q Okay.

3 MS. WIEST: You're reading that wrong.

4 A Am I?

5 MS. SCHOENFELDER: I'm afraid so.

6 A It says local exchange rates. "Buyer will provide
7 intrastate--- access rate not to exceed seven cents for
8 12 months following the closing rate." That's what we did
9 last time, isn't it?

10 Q Seven cents. Okay. And that's what you agreed to in other
11 exchanges but eventually you will charge the LECA rate?

12 A Yes.

13 Q Is that not true?

14 A Yes.

15 Q And then switched access will go up?

16 A Probably.

17 Q Yes. Then how does that affect the existing contracts
18 within our exchange carriers? Carrier to carrier
19 contracts?

20 A Darla?

21 Q She can't testify, I'm sorry. Do not interexchange
22 carriers after you raise the access rate start to stop
23 service in your areas?

24 A That hasn't been our experience. In fact, the opposite.
25 We've got-- we provide equal access to dozens of

1 interexchange carriers.

2 Q Equal access, yes. But they'd no longer offer their rates
3 in your exchanges. AT&T, for instance, has pulled out of
4 most of the cooperative areas that have been purchased in
5 South Dakota, isn't that true?

6 A Maybe some of their plants but we still have alot of
7 customers that take AT&T service.

8 Q So it will raise the cost of access to interexchange
9 carriers? Eventually, when those contracts that you
10 have-- that you're getting from U.S. West will expire
11 with them?

12 A Assuming that LECA's access rates remain higher than U.S.
13 West. Today they are.

14 Q But you just have new ones now that you've just-- LECA's
15 just recently had new access rates, right?

16 A Right.

17 Q And they are higher, are they not?

18 A Yes, I think so.

19 Q I think that answers my question. Now the rest of my
20 questions are gonna go to ETC status into the speed of
21 the network so if you want everybody else back in, that's
22 okay.

23 MS. WIEST: Let's just wait, I have more questions
24 on switched access.

25 Q (BY MS. SCHOENFELDER) Okay. Go ahead, as long as we've

1 got everybody standing in the hall.

2 CROSS-EXAMINATION

3 Q (BY MS. WIEST) With respect to other interexchange
4 carriers, you assume those contracts that currently U.S.
5 West has entered into others interexchange carriers,
6 right?

7 A Uh-huh.

8 Q And what are the switched access rates in those
9 contracts? Aren't they the U.S. West switched access
10 rate?

11 A I can't-- I can't tell you, I don't know if-- how the
12 contract should read. If they would spell out the rate or
13 if they would say the prevailing rate would.

14 Q So you're not sure if those contracts would say that
15 different switched access rates than those that have been
16 approved by the commission?

17 A That's right.

18 Q And it's your intention in that agreement that you are
19 going to charge U.S. West seven cents per minute and what
20 will you charge other carriers?

21 A The same. We-- we provided that to Keith. We said that we
22 would charge all carriers at the same. I believe that was
23 part of the exhibit.

24 Q Even though the purchase agreement only speaks to what
25 you were going to charge U.S. West?

1 A Uh-huh.

2 Q And then at the end of that 12 month period then you'll
3 file-- I assume you'll file updated LECA rates in order
4 to bring Sisseton into the-- Sisseton costs and expenses
5 and revenues into the LECA switched access rate, would
6 that be correct?

7 A We filed a-- something on that. That was in our response
8 to the commission's third data request number 3.6.

9 MS. WIEST: And so what does that say?

10 MR. WELK: Commission doesn't have any of that.

11 A Okay.

12 MS. WIEST: You need to answer.

13 A All right. The question was what switched access rate
14 does SBTC propose to use for the Sisseton exchange and
15 what is the basis for this rate. And our answer is Sully
16 Buttes will bill interest rate access rate at a rate not
17 to exceed seven cents per minute for the 12 month period
18 following the closing date in accordance with the
19 purchase agreement 7.1.9. The same rate will be billed to
20 all carriers. At the end of the 12 month period Sully
21 Buttes proposes to use the then current LECA rate since
22 the LECA rate is a state-wide average. Sully Buttes will
23 commit a cost based revenue requirement at the completion
24 of a one 12-month calendar year of operation.

25 Q (BY MS. WIEST) So you will file two years after you

1 have-- you take over?

2 A At the completion of one 12-month calendar year.

3 Q One month after? So it will only be one year?

4 A I'm sorry, one 12-month calendar year. No, it would
5 generally be a January through December year.

6 Q Is there a reason why you haven't asked for a waiver of
7 the switched access rules which is what you asked for in
8 prior cases that involve sales when you came up with the
9 stipulated rate that wasn't based on cost?

10 A No.

11 Q That was never discussed?

12 A We discussed it as part of the purchase agreement. Access
13 rates.

14 Q But you didn't discuss a need for the waiver of the
15 switched access rules to switch to a seven/seven switched
16 access rate?

17 A I don't recall discussing that.

18 MS. WIEST: That's all I have on switched access.
19 Did you have any other questions on contracts, Laska?

20 MS. SCHOENFELDER: No, because I was going to how
21 the switched access rate was going to affect the carrier
22 to carrier contracts.

23 Q (BY MS. SCHOENFELDER) The one question I have, though,
24 back to the timing is you said one year after you take
25 over but I thought the agreement said 18 months. Are we

1 talking about two different periods? Because I don't have
2 it in front of me.

3 A I believe you're talking about two different things.
4 Eighteen months for local rates and 12 months for--

5 Q Switched access. Okay. Just so I have it straight.
6 That's all.

7 MS. SCHOENFELDER: And then the rest, if you want
8 to-- I'm done with that.

9 MS. WIEST: Go ahead.

10 (Public allowed back into the room.)

11 Q (BY MS. SCHOENFELDER) The next questions I'm going to ask
12 are about ETC and that's eligible telecommunications
13 carrier status. I'm going to ask you questions, Mr.
14 Houdek, about ETC status, eligible telecommunications
15 carrier status. And do you intend-- I know that your
16 application says something about transferring that but I
17 don't believe you think that you could just exactly
18 transfer that from U.S. West without this commission
19 going to a separate proceeding, do you?

20 A I'd like to ask Darla to answer that for us. But I think
21 it's a-- correct me if I'm wrong, but two separate
22 requests. One, we ask for approval of the sale and, two,
23 that you transfer the ETC status.

24 Q But I'm not sure that ETC status can actually be
25 transferred. Do you think it can be? Especially, don't

1 you think-- and then I'm a little confused besides
2 because first we're gonna sell to Venture and then we're
3 gonna sell to Sully Buttes. So Sully Buttes is actually
4 the buyer and Sully Buttes would be the one that you'd
5 like the ETC status transferred to if it were do-able, if
6 that were do-able?

7 A That's right.

8 Q The other question I have is you don't have definite
9 approval of your loan so this isn't-- the sale is not
10 definitely going to happen until you have that? Is that
11 correct?

12 A The sale will happen, regardless.

13 Q Without money?

14 A We-- we'll get it either in Venture and they will allow
15 us to put it into Sully Buttes if they don't allow us to
16 put it into Sully Buttes then Venture will operate it.

17 Q You have confirmation of your loan at Venture?

18 A No, we don't. We have-- I don't have written
19 confirmation. But that doesn't matter. We've signed a
20 contract to purchase it and if we have to use cash we
21 can.

22 Q Okay. So you have enough cash in the coop to purchase
23 that? Say yes or no.

24 A Yes, we do.

25 Q She can't get you nodding your head.

1 A Yeah.

2 Q I want to know about-- I know that it's not there now and
3 I know that when the-- you plan a new switch and you
4 plan, you said, fiber in the loop. In the local loop?

5 A Yes.

6 Q When? What kind of a timetable do you have for that?

7 A We've-- as part of this loan that we're waiting for
8 approval, it's a five year loan design. And in that five
9 years we hope to complete between 30 and 50 percent of
10 our entire system replacing or placing fiber further into
11 the loop. Along with the fiber terminals. The way we've
12 been prioritizing this is just wherever the service--
13 wherever it's most needed. Wherever the plant is most
14 antiquated that we can't provide the data speeds that we
15 would like.

16 Q So people that live in this community, and I'm talking
17 about the rural community because I know that if I have a
18 computer and I probably live in Sisseton within three
19 miles of the switch I probably have some kind of Internet
20 access, some kind of speed I can get. What kind-- where--
21 you're talking about a timeframe of about five years that
22 we can expect some real significant increases in data
23 speeds, in log-on times, that kind of thing?

24 A I would say five years or less and, hopefully, less.

25 Q Okay. But if you had a community that had dire need for

1 that, and they let you know, you would prioritize that?

2 A Oh, sure.

3 Q Okay. Okay. Thank you. And what kind of speeds are you
4 talking about on this fiber?

5 A It depends on the electronics you put on it. Currently in
6 Sully Buttes what we're experiencing over some of this
7 fiber in the loop backbone is 40K.

8 Q Okay. The 911 system?

9 A Yes.

10 Q You and I have talked about 911 before. So if and when
11 this county and I presume it's always the county that
12 does that, it's usually by standalone or in conjunction
13 with other counties would decide to provide 911, your
14 company would cooperate with them and offer the technical
15 assistance in that area, right?

16 A Both technical and we also cooperate as far as providing
17 names and addresses of the customers. So they can
18 populate their data base.

19 Q And we know that sometimes 911 doesn't always work the
20 way we want it to but you would commit to working toward
21 making that work as fast as it possibly can?

22 A Yes, I would.

23 Q Okay.

24 MS. SCHOENFELDER: Thank you. I believe that's all I
25 have.

1 MS. WIEST: I have a few questions.

2 CROSS-EXAMINATION

3 Q (BY MS. WIEST) Do you know of any services that the
4 current switch can handle the 5ESS switch can handle that
5 your new DMS-10 switch cannot provide?

6 A The only one that I can think of and I don't know the
7 name that U.S. West uses for it but it's a feature that
8 I've described as a distinctive call waiting. And,
9 essentially, if I'm on the phone and I get a long
10 distance or an out of exchange call, it would have a
11 distinctive ring or call waiting. Currently we don't
12 offer that. However, we expect it to be in this-- the
13 next generic that would be in the switch we'd put in
14 Sisseton. So.

15 Q So you expect a new DMS-10 in Sisseton will have that
16 capability?

17 A Yes.

18 Q Is that correct?

19 A If there's others, I'm not aware of other features. So.

20 Q Now when your local exchange companies that were
21 originally in Venture now you said that you moved them
22 over to the cooperative, right, and now they're
23 cooperative members, correct?

24 A Right.

25 Q Were those rates changed or are those customers still

1 being charged the old U.S. West rates?

2 A We've changed some and left some in place. For the most
3 part you're-- we've eliminated the outside base rate
4 area. We have implemented what we call a CBR which is a
5 combined business rate. And that's for those people that
6 offer a business out of their home. We have a-- we charge
7 that rate. But, by and large, the local rates are the
8 same as what they were when we took over. In many more
9 cases than not, if the rate was changed it was changed
10 downward.

11 Q But you didn't change those rates to cooperative rates?

12 A No.

13 Q Correct? And those rates are lower, your cooperative
14 rates, like for local service?

15 A Yes.

16 Q Residential local service? On-- I think we looked in your
17 direct testimony on Page 6, Question 21. "What impact, if
18 any, will the sale have on the interstate universal
19 service fund?" You stated: "As the rules exist today,
20 the sale will have no impact on the interstate universal
21 service fund," is that correct?

22 A That's, I believe, what the testimony says, yes.

23 Q In a previous-- when you bought other exchanges is it
24 true that you have petitioned the FCC to get rid of the
25 caps on high cost support?

1 A Yes.

2 Q And you have been successful in removing those caps?

3 A The caps were left off of our exchanges but they still
4 exist a cap at the USF level.

5 Q So the lifting of the cap would have no impact on the
6 universal service of the amount of mon ;--

7 A The total amount of USF fund hasn't changed. The amount
8 our company received did increase when-- I think
9 effective in January.

10 Q And in this situation when you petitioned the FCC for a
11 waiver of a study area freeze, in that petition will you
12 be requesting that no caps be placed on high cost support
13 or do you anticipate a separate petition later?

14 A It-- regardless of what happens with this sale, I believe
15 the USF cap should be lifted.

16 Q But it would be your intention to request that that cap
17 be lifted from this sale?

18 A Sure. I don't know that we'll place that as a condition
19 of FCC approval.

20 Q Right.

21 A But at some point I believe that the cap should be
22 lifted.

23 Q And just to clarify, in this petition, I know in your
24 application you ask for ETC status, are you still asking
25 for ETC status in this proceeding?

1 A We want ETC status. If it's not done as part of this
2 proceeding then we'll have to come back and get it. Does
3 that answer your question?

4 Q Are you asking for ETC status in this proceeding?

5 A Yes.

6 Q Even though you have not stated whether you can provide
7 any of the ETC services and followed any of the rules
8 with respect to apply for ETC status?

9 A Yes.

10 Q When Miss Cremer was going through some of the services
11 that were listed I believe at-- on the rebuttal testimony
12 you didn't seem to be aware if U.S. West was providing
13 those services or not. If you're not sure what U.S. West
14 is offering how do you know you can offer it?

15 A Based on prior experience.

16 Q You've never had a situation where you've bought prior
17 U.S. West exchanges where you've been unable to offer
18 service?

19 A Not in any significant way.

20 Q How about an insignificant way?

21 A Probably.

22 Q There have been services that you haven't been able to
23 offer?

24 A In the prior purchase we didn't offer LMS. And from the
25 customer standpoint that was insignificant.

1 Q And can you think of any other services?

2 A No.

3 Q And just to clarify, the 18 month freeze usually applied
4 in prior sales and prior commission orders to local
5 exchange rates, I notice that staff is recommending that
6 the rates be charged for all services. And I believe you
7 have stated that a couple times. Just to clarify, are you
8 stating that you won't charge U.S. West rates for a
9 minimum of 18 months for all current U.S. West services,
10 not just local rates?

11 A No, I think local rates is what we're-- we've committed
12 to. What else were you anticipating?

13 Q I'm just trying to clarify. Because I know I have down
14 here in, you know, maybe just be that you didn't make it
15 clear but you stated that you will offer the same rates
16 for U.S. West services. And I just wanted to clarify what
17 your position is. And if your position is that you are
18 only-- you are going to commit to the 18 month for local
19 services, then you would object to staff's recommendation
20 which is, I believe, that they would recommend that the
21 same rates be charged for all U.S. West services.

22 A I think I understand you. Let me rephrase it and then. If
23 a customer is paying something the day before we take
24 over we plan to have that rate stay in effect for 18
25 months.

1 Q So that would be all services?

2 A Yes.

3 Q Okay.

4 A Okay.

5 MS. WIEST: That's all I have. Did you have any
6 redirect?

7 MS. ROGERS: I have just a couple of things.

8 REDIRECT EXAMINATION

9 Q (BY MRS. ROGERS) With regard to the rate freeze, I
10 believe that when asked or requested by staff, if Sully
11 Buttes would be agreeable to a 18 month rate freeze as
12 has been implemented in the past that we agree to that,
13 is that correct?

14 A That's correct.

15 Q That's not necessarily in this contract but or that
16 timeframe but that's what we had said we would abide by
17 if that's--

18 A That is correct.

19 Q Okay. With regard to the-- your determination of what
20 customers are paying for different services, based on,
21 again, past experiences, after the sale is approved and
22 the closing takes place, is that then when Sully Buttes
23 would receive the customer lists?

24 A We-- the way I expect it to work this time and I think
25 it's the way it worked the last time. From the date we

1 would receive PUC approval, we start receiving from U.S.
2 West data records via tape to where we can start
3 populating our data bases and getting the customer
4 information and the services and the rates charged. The
5 actual physical paper records, the maps, the contracts,
6 the-- anything like that, we don't receive until after
7 closing.

8 Q But it's at the time that you receive that when you start
9 plugging that into your data base that that's when you
10 determine Customer X is paying this amount for this
11 service?

12 A Yes. And, again, the way it worked last time is we
13 received several, three, four, five different data loads,
14 and, obviously, the date prior to or right before the
15 actual close we got the most current information and
16 those were the rates that we locked.

17 Q Now I believe as part of the testimony of or attached to
18 the testimony of Mr. Toll is an application to relinquish
19 ETC designation.

20 A Yes. Yes, there is.

21 Q Then it's Sully Buttes' intention then to apply for ETC
22 designation in the Sisseton exchange area, is that
23 correct?

24 A Yes.

25 Q In the event that your loan is approved with RUS would it

1 be your intention then to assign the purchase of the
2 exchange from Venture to Sully Buttes?

3 A Yes. Just to-- I don't want to muddy the water anymore.
4 Had we known, A, that we were going to merge Venture into
5 Sully Buttes when we-- when the Sisseton exchange came up
6 for sale the Venture name would have never appeared in
7 any of these contracts. We would have done it as Sully
8 Buttes.

9 MRS. ROGERS: I think that's all I have. Thank you.

10 RECROSS-EXAMINATION

11 Q (BY MS. NELSON) Back to this ETC status. All of Sully
12 Buttes' other exchanges you have ETC status for, right?

13 A Yes.

14 Q Okay. So that means that, to your knowledge, do you know
15 if you have-- you're capable in the Sisseton exchange of
16 providing Lifeline and link-up?

17 A Yes.

18 Q Are you capable of doing toll block?

19 A Yes.

20 Q Are you capable of doing 911?

21 A Yes.

22 Q Can you think of anything else that's included in ETC
23 status that I forgot? So, to your knowledge, having
24 applied before you believe and know that you could
25 probably-- you can provide all the things required to be

1 in ETC in the Sisseton exchange today?

2 A Certainly after we get our switch installed and I assume
3 we can do it as we're--

4 Q And how long does it take to get the switch?

5 A Anywhere from six months to a year. When we have,
6 hopeful, approval from the commission here we'll get an
7 estimate on how long we think it will take to get to the
8 FCC and schedule the delivery as soon as possible.

9 Q Of these services that I talked about Lifeline linkup,
10 toll block and 911, which of them can't you provide until
11 you get the switch?

12 A I'm assuming we can provide all of them.

13 Q Without the switch?

14 A Using the current switch and hosting off U.S. West I'm
15 assuming that we can do everything. I didn't want to
16 swear to it without talking to someone from U.S. West.

17 Q And back to the rates that you're gonna charge, you said
18 that the people would be-- in the Sisseton exchange would
19 be-- have immediate voting rights would be a part of the
20 coop right away and you would agree to charge the U.S.
21 West rates for at least 18 months. But if the coop rates
22 are less does that mean that after that 18 months they go
23 to the coop rate?

24 A No, no, that--. A couple things. First, immediate voting
25 rights. They-- Sully Buttes will have to determine which

1 district or if a new district would be formed for the
2 Sisseton. Either they'll have their own district or we'll
3 combine them with another one of our districts. We
4 currently have 12 districts to date. So until that's
5 settled I guess immediate voting rights is maybe a little
6 bit of a misnomer. As far as the rates, we-- I think in--
7 as long as I've worked at Sully Buttes has only been
8 about a two month or two year period where all of our
9 customers paid exactly the same rates. Different
10 exchanges at different rates and that that's the way it
11 is today. Not all exchanges pay the same local service
12 rates.

13 Q Do all the U.S. West rates pay more-- all the U.S. West
14 territory that you acquired pay higher rates than the
15 other coop members?

16 A Yeah, I believe so. I believe the local residential rates
17 are about \$2 a month more. Than the lowest Sully Buttes
18 rate.

19 Q Do you have a plan to have them pay the same rate? I mean
20 at one point are they the same status as the other coop
21 members?

22 A You know, I don't know. I guess that's always up to the
23 board of directors.

24 Q So does it work this way in the coop that each exchange
25 has its own board of directors?

1 A No, we have one board of directors.

2 Q But then why wouldn't it--

3 A You know, I can't think of alot of companies where every
4 exchange pays exactly the same rates. I don't think this
5 is unique to Sully Buttes. Alot of it has to do with EAS
6 arrangements. We have some exchanges that have EAS to
7 five or six towns. Other exchanges tl t have EAS nowhere.
8 Until-- and this is just my opinion, I can't speak for
9 the board. But until we have an idea what's going to
10 happen with access reform, universal service reform, the
11 new calls are made program, I don't think it would be
12 wise to make any great predictions on what local service
13 rates with gonna look like in five years. Would you
14 agree?

15 MS. SCHOENFELDER: I don't get to answer the
16 questions.

17 Q (BY MS. NELSON) I guess I'm not asking for a crystal
18 ball --

19 A I know.

20 Q -- so you can tell me how much the rates are gonna be in
21 two years or five years but since you agreed to charge
22 U.S. West rates for 18 months I guess I was kinda trying
23 to decide how it was you decide that all the coop--. I
24 mean when you told me that the coop members-- the
25 Sisseton people would be members of the coop and they'd

1 get all the voting rights immediately and that they'd
2 have the same status, to me that means that the coop--
3 I'll have the advantage of being in that coop which is
4 right now a lower rate than U.S. West rate. Now I'm
5 curious about why it happens that all U.S. West prior
6 exchanges still have higher rates. Could it be that they
7 haven't-- you haven't had them for the 18 months and you
8 still have those 18 months contracts?

9 A No, the 18 months has expired.

10 Q Do you see what I'm trying to get at?

11 A I know what you're trying to say and I'm trying to think
12 of a good answer. Maybe the quick answer would be when we
13 looked at the Sisseton exchange we looked at-- looked at
14 the local rates, the best approximate average that we
15 could come up with, projected access revenues, long
16 distance revenues, we plugged all of those into a
17 proforma and that helped us base the amount of money we
18 felt we could bid on the exchange. And that was using
19 current rates. So if right off the bat we lowered that
20 source of revenue, that would, you know, impact our
21 business.

22 Q Except, I guess the question I'm struggling with in my
23 mind is at what point do I get the benefits of really
24 being a part of the coop versus being a U.S. West
25 exchange because currently that's a lesser rate, I'm a

1 member, I own the company, you can't walk off with my
2 assets?

3 A They will be eligible for capital credits. We do allocate
4 capital credits and pay out patronage.

5 Q But your other coop members also get that, too, at a
6 better rate, right?

7 A Well, but it's based on patronage so the more a person
8 pays with the company--

9 Q Oh, okay. He just said what patronage meant in this case,
10 okay, that's fine.

11 MS. WIEST: Miss Cremer?

12 RE CROSS-EXAMINATION

13 Q (BY MS. CREMER) Yeah, I was just curious if and when they
14 do 911 up here do you know where that will be dispatched
15 to? Will that be dispatched to North Dakota, Minnesota,
16 South Dakota?

17 A I don't know, that's up to--is it the county
18 commissioners?

19 Q Okay. Thank you.

20 MS. WIEST: Any other questions for this witness?

21 Thank you. Miss Cremer?

22 MS. SCHOENFELDER: Before you go off the record I
23 need to leave and so I will read the rest of the record
24 when and if it's ready. Thank you.

25 (Recess held, resuming with the following.)

1 MS. WIEST: We'll recall Brad Blinsmon to the
2 stand.

3 BRAD BLINSMON,
4 having been previously sworn, testified as follows:

5 DIRECT EXAMINATION

6 Q (BY MS. NELSON) Sure. I guess the centrally assessed
7 taxes and how that would change the impact on school
8 districts, counties and the city?

9 A Okay.

10 Q And when I left I ran into the Director of Equalization
11 and he gave me that exhibit that you have in your hand
12 there. So it answers my question maybe better than the
13 document that Tom gave me.

14 MS. WIEST: Has that document been marked?

15 MR. WELK: We've marked what Commissioner Nelson
16 gave me as Exhibit 10 which I guess, for the record,
17 would be, Commissioner Nelson, correct me, the
18 handwritten notes of Mr. Arden Moen who is the Director
19 of Equalization for Roberts County which shows for U.S.
20 West for the 1999 year what's payable in 2000 for
21 centrally assessed taxes and how those taxes would be
22 distributed among counties, school district, township, is
23 this ambulance, "A-m-b?"

24 MS. NELSON: Yes.

25 MR. WELK: Is that the ambulance?

1 MR. MOEN: Yes.

2 MR. WELK: We'd have no objection to having this
3 stipulated to. What we intended to introduce for Exhibit
4 10 which was the U.S. West response to-- of staff if
5 that's what Commissioner desires.

6 MS. NELSON: That would be--

7 MS. WIEST: So it will be a replacement, is that
8 correct?

9 MR. WELK: Yes.

10 MS. WIEST: So this would be Exhibit 10?

11 MRS. ROGERS: We have no objection.

12 MS. WIEST: Any objection?

13 MS. CREMER: No, no objection.

14 MS. WIEST: That will be offered and received. So
15 are there any further explanation?

16 MR. BURG: I do, I just have an additional
17 question. This is just for clarification.

18 FURTHER DIRECT EXAMINATION

19 Q (BY MR. BURG) There would be an overlap, though, wouldn't
20 there, because centrally assessed taxes only are
21 collected a year after they're actually assessed and the
22 gross receipts would come in the year they're due, would
23 that be correct?

24 A That's correct.

25 Q So for one year there would actually be an overlap where

1 there would sort of be a double collection?

2 A Yes.

3 Q So that would be-- would the school be the big
4 beneficiary of that?

5 A For the first year. I mean, first of all, people that
6 normally get to school or the money which would be the
7 county, maybe I should explain the central-- central
8 assessments first. You have two types of properties for
9 central assessments. You have the property inside of the
10 city limits. All the U.S. West property inside of the
11 city limits is taxed just like a normal individual in the
12 city limits. So the money's split up between the county,
13 school, county and ambulance district and the city gets a
14 piece of that, too. Outside of the city limits, all the
15 U.S. West property outside of the city limits, all that
16 money's lumped together and the county is the sole
17 beneficial, school gets none of that tax money on the
18 property outside of the city limits. Gross receipts
19 money, that goes all to the school districts. So that
20 first year you have a central assessment which is paid a
21 year behind. That's paid just like to these people here.
22 And then the gross receipts is paid out to the schools.
23 So the schools kind of benefit twice. They get the money
24 on the property that's inside the city limits plus they
25 get all the gross revenue.

1 Q And then to follow up. After that the centrally assessed
2 dollars go away, it's just gross receipts dollars under
3 the new ownership, correct?

4 A Yes.

5 Q And then what would happen? Would the counties have to
6 make an adjustment in order to offset what had what they
7 had, you know, what they had been receiving that now goes
8 to gross receipts, they just have to make an adjustment
9 what goes to the school?

10 A Right. That money that the county gets right now is kind
11 of outside the formula, it's not figured in the levies.
12 So, really, it's just kinda-- I think the term that
13 appears is "funny money" out there sometimes.

14 Q Okay. I think you satisfied my question.

15 A So it's not-- the levy isn't based on that money.

16 MS. WIEST: Any other questions of this witness? If
17 not, thank you, Mr. Blinsmon. Miss Cremer, you may call
18 your witness.

19 MS. CREMER: Thank you. I would call Keith
20 Senger.

21 KEITH SENGGER,
22 called as a witness, being first duly sworn, testified as
23 follows:

24 DIRECT EXAMINATION

25 Q (BY MS. CREMER) Would you state your name and address for

1 the record, please?

2 A Keith Senger. My work address is 500 East Capitol,
3 Pierre, South Dakota.

4 Q And by whom are you employed, Keith?

5 A The South Dakota Public Utilities Commission.

6 Q In what capacity?

7 A I am a utility analyst.

8 Q Were you the analyst assigned to review this docket?

9 A Yes, I was.

10 Q In front of you is what's been marked as Exhibit 7?

11 A Yup.

12 Q Is that your prefiled testimony?

13 A Yes, it is.

14 Q Do you have any changes or additions or deletions to make
15 to that?

16 A I have one clarification, change, I would like to make.

17 On Page 5, Line 1, I would like to insert the word
18 "total" in front of "amount," very first word. And I
19 would like to scratch the words "collected by each
20 county" and replace it by "paid."

21 Q So how should it read then?

22 A It should read-- the total sentence should read--. Let
23 me-- let me just reread the first line on Page 5. "Total
24 amount of tax collected." Period.

25 MR. BURG: Paid, you said?

1 A Excuse me, "total amount of taxes paid."

2 Q (BY MS. CREMER) Did you hear Mr. Blinsmon's testimony
3 regarding taxes?

4 A Yes, I did.

5 Q And do you agree with his assessment of the situation?

6 A Yes, I do.

7 Q Did you submit any data request to the companies?

8 A Yes, I did.

9 Q And as a part of your analysis of this docket-- well, go
10 back to the data request. Were those all answered?

11 A I do have several questions that were not answered.

12 Q Okay. As a part of your analysis of this docket did you
13 look at the reasonableness of the rates and do a public
14 interest analysis?

15 A I tried. I was never provided the rates that U.S. West is
16 currently charging or the rates and services that Sully
17 Buttes will be providing.

18 Q What conclusions did you reach regarding the services and
19 rates that Sully Buttes will provide to the Sisseton
20 exchange?

21 A What conclusion did I reach?

22 Q Yeah.

23 A I was unable to reach a conclusion because I do not-- was
24 not provided with the information.

25 Q So if-- you believe if you're provided that information

1 you would become--

2 A What I asked for, I asked for a list and a comparable-- a
3 list of the services provided with the rates for the
4 Sisseton exchange and a comparable list from Sully
5 Buttes. List of services and rates that they will
6 provide. I asked for that in an attempt to determine if
7 Sully Buttes is going to keep the rates at the same as
8 what Sully Buttes-- as U.S. West is providing.

9 Q Are those all the concerns that you have regarding this
10 sale?

11 A No, I do have several other concerns. One being the
12 contracts, the leases and licenses and other agreements
13 that Sully Buttes will assume. And I'm going to make the
14 assumption that Sully Buttes is the purchaser here. I
15 asked for a list of those. Sully Buttes did not provide
16 me with a response. U.S. West did provide me with one.
17 Contract. And that was-- the details were not given to me
18 because it was a confidential contract. However, they did
19 state that if I needed it they would provide it to me.

20 Q Is that all the concerns-- you have as an analysis a
21 number of factors that have to be considered by staff. Do
22 you have any concerns regarding the ability to perform--
23 to provide modern state-of-the-art telecommunications
24 services?

25 A No, I do not have any concerns there.

1 Q Okay. And we covered taxes?

2 A Yup.

3 Q And what about the provision of 911, E-911?

4 A I do not have any concerns on 911.

5 Q And what about the adequacy of local telephone service?

6 A I do not have any concerns regarding that issue either.

7 Q Okay. So your concerns then center around the
8 reasonableness of rates and the protection of the public
9 interest, is that correct?

10 A Yes.

11 Q Okay. Sully Buttes stated that it conducted a due
12 diligence inquiry before it purchased the Sisseton
13 exchange and it was satisfied with its research and is
14 that what you were just-- were you satisfied?

15 A I was not satisfied with the responses that were given to
16 me. It was stated earlier here today that a due diligence
17 was performed. However, to this day I have still not been
18 provided with a list of contracts or the list of services
19 and rates.

20 Q Sully Buttes agreed to staff's position on the 18 month
21 rate freeze, what was your reasoning for that timeframe?

22 A I researched previous commission orders regarding the
23 sale of exchanges and I did not find any that were less
24 than 18 months. Additionally, I feel that 18 months
25 provides stability for the-- for the-- for the customers

1 within the exchange. I feel if that period of time was
2 less than 18 months that Sully Buttes would not have
3 adequate financial historical background to justify
4 changes in rates. And I should emphasize a raise in
5 rates. Meaning the rates should not be higher than what
6 is charged by U.S. West.

7 Q Okay. In their joint request they've requested commission
8 action on five points. One is on the gain in sale. Do you
9 have an opinion regarding the gain on sale?

10 A Based on my research of previous commission orders, it is
11 being handled the same. The-- the-- when Sully Buttes
12 purchases it they have agreed not to recoup the gain on
13 sale through rates.

14 Q Okay. And that would be booking not to account 7350?

15 A Yes, I believe that is. That is a below the line item.

16 Q Okay. And then they also ask for designation as an ETC,
17 do you have an opinion on that?

18 A I have not been provided with any information on the ETC
19 status.

20 Q Okay. What about to study-- a study area waiver of the
21 study area boundaries?

22 A I can't recall exactly what they-- what they requested.

23 Q They request that the commission not object to a study
24 area waiver or reconfiguration of the study area
25 boundaries.

1 A I do not have any objections to that.

2 Q All right. They've requested that their COA, their
3 certificate of authority, be amended if it need be. Do
4 you know what they're talking about there?

5 A I am unaware of Sully Buttes having a COA. It is my
6 understanding that they were not issued a COA. My
7 assumption is they were grandfathered in. I am not sure
8 whether or not that needs to be changed at this point.

9 Q Okay. And then, finally, on the sale of the Sisseton
10 exchange to Sully Buttes, do you have a recommendation on
11 that?

12 A Yes, I do.

13 Q And what is your recommendation?

14 A First I recommend that Sully Buttes provide the
15 information that I have requested in-- previously in data
16 requests. Second, Sully-- second, once Sully Buttes
17 provides this information and if the commission is able
18 to determine that Sully Buttes is willing and able to
19 provide all existing U.S. West services at current U.S.
20 West rates and, two, that Sully Buttes is willing and
21 able to honor all existing contracts, leases, license and
22 other agreements then I would recommend that the
23 commission approve the sale from U.S. West to Sully
24 Buttes with the following conditions. One, current local
25 rates not be increased for 18 months from the date the

1 buyer begins to operate the purchased exchange. Two, the
2 buyer shall honor all existing U.S. West contracts,
3 leases, licenses and other agreements which relate to,
4 arise from, or are used for the operation of the
5 purchased exchange. Three, the buyer shall not recover
6 any acquisition costs through the regulated interstate or
7 intrastate rates, through local rates or through federal
8 or state universal service funds. Four, the buyer shall
9 offer, at a minimum, all existing services currently
10 offered by U.S. West at rates that do not exceed U.S.
11 West rates offered in the purchased exchange. And, five,
12 that the buyer is not discontinue any existing extended
13 service area agreements with the purchase of the exchange
14 without first obtaining the approval from the commission.

15 MS. CREMER: That's all the questions I would have.

16 MS. WIEST: Mr. Welk, any questions?

17 MR. WELK: Yes, I just have a few and I'm sure Mrs.
18 Rogers has a couple.

19 CROSS-EXAMINATION

20 Q (BY MR. WELK) Mr. Senger, have you ever been involved in
21 the sale of a telephone exchange before?

22 A No, I have not.

23 Q Do you have any experience in the telephone business?

24 A I have a year of experience here at the commission
25 working with telephone related issues.

1 Q Have you ever been involved in the operation side of
2 telephone business?

3 A No, I have not.

4 Q Your training is by--as an accountant, is it not?

5 A Yes, I am.

6 Q Have you been involved, ever, in any acquisitions of
7 telephone exchanges either in your prior life or with the
8 commission?

9 A My prior life?

10 Q I assume you had a life before you came to the
11 commission, didn't you?

12 A No, I have not. Yes, I've had a life before and, no, I
13 have not had any prior experience.

14 Q Let's talk a little bit about I'm somewhat unclear about
15 your concern about the reasonableness of the rates. Would
16 you explain to me what your concern is about rates and
17 the reasonableness of it.

18 A First of all, the first prefiled testimony provided to
19 staff stated that Sully Buttes or Venture Communications,
20 whichever is going to be the purchaser, would offer all
21 services at the existing rates. Through data requests and
22 through responses provided to staff, it was indicated
23 that local measured service would not be. My
24 understanding, it is a technical maybe even more so a
25 billing issue. That raised my concerns on what else is

1 out there that they cannot provide. Or wish not to
2 provide. Those questions have not been answered. My
3 concern is that-- the rates remain stable. And it's my
4 opinion that that Sully Buttes is not providing me with
5 that and, therefore, I do not think at this point they
6 know. They have stated earlier that they-- they will find
7 that information out at the-- at-- as the sale becomes
8 closer, becomes finalized.

9 Q Were you in the room and heard the testimony of Mr.
10 Houdek today?

11 A Yes, I was.

12 Q Did you hear him commit that those customers that have
13 local measured service will be paying the same rate after
14 the sale as they would be paying before the sale?

15 A He also committed in prefiled testimony that all rates
16 and services would remain unchanged. Therefore it raised
17 a question in my mind can Sully Buttes provide all the
18 services at the same rates.

19 Q Well, but what could possibly-- I mean he's committed to
20 that to the commission, and that can be a condition of
21 the sale, what else would eliminate your concern other
22 than a condition by the commission that that's what
23 happened?

24 A My concern is if-- down the road if the sale does take
25 place and we find another service that customers want and

1 currently use, that Sully Buttes cannot or will not
2 provide that service. That is my concern.

3 Q But if the commission in entering its order if it chooses
4 to approve the sale can enter a condition that Sully
5 Buttes have to provide all the same services that U.S.
6 West did at the same rates for a specified period of
7 time, that is the condition, that is the commission's
8 order in this case, then wouldn't that satisfy your
9 concern that Sully Buttes would have to satisfy that?

10 A That doesn't satisfy my concern that they can or
11 absolutely will. They have stated before to me that they
12 are providing all services. I found one that they cannot
13 provide. Or choose not to. I'm not quite sure. I think
14 it's a technical billing issue.

15 Q Didn't they say to you in data responses that they didn't
16 have the billing software that U.S. West did in order to
17 meter the local measured service customers, isn't that
18 what they said?

19 A I believe in the letter that I received Friday, last
20 Friday at approximately 4:00, that's what it stated, yes.

21 Q And so what Sully Buttes has done is in order to
22 alleviate that concern saying those customers are gonna
23 get a better deal than they've got today because we're
24 gonna give them full local service for the rate that they
25 had paid as a local measured customer, isn't that

1 correct?

2 A That is correct, that is what they are doing, yes.

3 Q And that's what they've committed to do today, under
4 oath, to the commissioners?

5 A Yes.

6 Q All right. Let's talk about the contract and leases. Now,
7 is it your testimony that you want the commission to go
8 through and look at all the contracts and leases that
9 U.S. West has in its warehouse that have been reviewed by
10 Sully Buttes to determine whether Sully Buttes can
11 satisfy those?

12 A I want Sully Buttes to know what contracts and leases are
13 out there.

14 Q So you don't believe they have the ability to review
15 contracts and determine whether they can assume them or
16 not?

17 A On-- in one of my data requests I asked for that list.
18 How many contracts are out there? What are they, give me
19 a summary list. That was not provided.

20 Q But isn't that a decision, Mr. Senger, of Sully Buttes
21 and its advisors to make that assumption?

22 A My concern is that there may possibly be a contract out
23 there that Sully Buttes may not have the technical
24 capabilities or the financial capability to carry out.
25 That's my only concern.

1 Q But they had their technical people, their CPA accounting
2 firm, their consultants, their lawyers, all go and look
3 at this and you don't think that they're in a position
4 enough to make their own business judgment on that?

5 A I never stated that.

6 Q Why should your judgment be different than theirs,
7 they're the ones that are paying the money. Haven't they
8 committed to this commission and committed to U.S. West
9 that they're gonna assume all contracts and leases?

10 A They have committed to that, yes.

11 Q And isn't that a risk they accept as a company?

12 A If-- my concern is if they do not or cannot then it's my
13 opinion that either commission staff or the commission
14 may have to get involved. I'm trying to take care of that
15 beforehand.

16 Q You think that's your job to look on behalf of the staff
17 to go and look at all those contracts and see whether a
18 sophisticated company has the ability and technical
19 expertise to assume contracts?

20 A No. I simply assume that Sully Buttes should know what
21 contracts are out there.

22 MR. WELK: I have no more questions.

23 CROSS-EXAMINATION

24 Q (BY MRS. ROGERS) I have just a couple questions. Mr.
25 Senger, isn't it true that Sully Buttes has committed to

1 charge the same rates and provide the same services as
2 U.S. West with the exception of different treatment for
3 LMS, isn't that true?

4 A Yes, they have committed that but they have not provided
5 me with those.

6 Q Just a minute, please answer my question. Isn't it true?

7 A Yes, they have committed to that.

8 Q Okay. So if you are concerned here about the
9 reasonableness of the rates, then are you maintaining
10 that U.S. West rates aren't reasonable?

11 A I never stated that.

12 Q Well, if Sully Buttes is committed to provide the same
13 services at the same rates then whatever U.S. West is
14 charging now, that's what Sully Buttes would charge
15 according to their testimony, isn't that true?

16 A My concern is that--

17 Q You can answer that yes or no.

18 A Okay. Please ask it again.

19 Q Okay. Isn't it true that what Sully Buttes committed to
20 here in this hearing is that they would charge the same
21 rates as U.S. West is charging now?

22 A I believe that's what the record will reflect.

23 Q Now you've also asked as one of the conditions or
24 recommended that one of the conditions of sale be that,
25 in fact, that would be the case, isn't that correct?

1 A Yes.

2 Q And if the commission accepts that recommendation and
3 approves the sale with that condition then there would be
4 a commission order in effect requiring Sully Buttes to,
5 in fact, do that, isn't that correct?

6 A To do that, to honor all contracts, rates, services, is
7 that what you're referring to?

8 Q To charge the rates that U.S. West is charging at this
9 time. For whatever period the rate freeze is?

10 A Yes, there would be-- if the commission accepted that,
11 that would be in the order, I assume.

12 Q And then with the commission order plus everything that
13 has been testified to here today, would you not agree
14 that that satisfies the statutory criteria of
15 reasonableness of rates?

16 A If they have the technical capability and do honor the
17 rates and services, then yes.

18 Q And, of course, under the commission order there would
19 certainly be recourse if, in fact, they weren't honored,
20 isn't that correct? If there's--

21 A I-- legally, I do not know what recourse the commission
22 has.

23 Q Now when you requested that current rates, local rates
24 not be increased for 18 months and that the rates that
25 Sully Buttes charged be the same as U.S. West charged,

1 you did not specify any different treatments for LMS,
2 does that mean that you do not agree with the testimony
3 or the request as submitted by Sully Buttes that that
4 be-- the customers be charged the same rate but, in fact,
5 receive full service?

6 A I do not disagree with handling it that way. The problem
7 that I do see is that there is a possibility that a new
8 consumer may see that his neighbor has a lower rate, call
9 it the local measured service rate. And that customer,
10 that neighbor, wants what his next door neighbor wants
11 and that it cannot be provided.

12 Q So you do not then agree with the request of Sully Buttes
13 to treat LMS the way it is requested?

14 A No, I didn't say that. I said it's the concern that I
15 have with--

16 Q Well, let me ask it this way. Would you object or concur
17 if the commission would enter an order approving the
18 rates with regard to LMS or the situation status of LMS
19 as requested by Sully Buttes?

20 A I would agree to that, yes.

21 Q With regard to the contracts, Mr. Senger, I believe that
22 in the responses that we've given in both data requests
23 and the letter, but in data requests in particular, I
24 believe that what Sully Buttes stated was it does not at
25 this time have a full list of all contracts and leases,

1 isn't that correct?

2 A Yes, that is correct.

3 Q Is that not a response to your request?

4 A I asked-- I asked for the list, I did not receive a list.

5 Q So you're requesting Sully Buttes to provide something it
6 does not have?

7 A I-- I assume so, if Sully Buttes does not have that
8 information, yes, that is what I am requesting.

9 Q And the purpose is so that you can go through those
10 contracts yourself?

11 A No, the purpose is so that Sully Buttes can review them
12 and determine whether or not they can or cannot honor all
13 those contracts.

14 Q And, again, did you hear the testimony here today?

15 A Yes, I did.

16 Q Sully Buttes and its staff and team has, in fact, had an
17 opportunity to look at those agreements, isn't that
18 correct?

19 A I-- the testimony states that, yes.

20 Q And they have still made and-- they have still made this
21 decision to go forward with the purchase of this
22 exchange, correct?

23 A Yes.

24 Q And so their judgment that they are financially and
25 technically able to assume all those contracts is not

1 satisfactory to you, is that what you're saying?

2 A Please restate the question.

3 Q Their testimony that they have reviewed the contracts and
4 based on that review they can technically and financially
5 take over and assume all of those contracts, that's not
6 satisfactory to you?

7 A It has not been-- If-- my response to your question is if
8 Sully Buttes does not know, they do not have a list of
9 those contracts, they do not know all the contracts that
10 are out there, I don't know how they can state that they
11 can honor all those contracts.

12 Q Where in the testimony does it say that they don't know?
13 In fact, the information provided to you is that they did
14 have an opportunity to review those contracts. What we
15 stated was we could not provide you with a list because
16 we don't have a list. That does not mean we haven't
17 viewed them and testimony has revealed that we have.

18 MS. CREMER: Well, was that a question or are you
19 arguing with the witness?

20 Q (BY MRS. ROGERS) Isn't that correct?

21 A Please restate the question.

22 Q I guess I'm having a hard time understanding your concern
23 with regard to the contracts. There isn't anything-- did
24 you find something in the testimony or responses to the
25 questions that says that Sully Buttes does not know what

1 contracts are out there or has not seen them?

2 A No. I do not recall that Sully Buttes stated that they do
3 not. However, when asking for that information it could
4 not be provided to me. Therefore, my concern.

5 Q So you want to see the contracts?

6 A I want--

7 Q Is that the bottom line?

8 A I want some assurance that Sully Buttes has 'em. And can
9 provide 'em to me.

10 Q Sully Buttes doesn't have them yet. Isn't that what the
11 testimony revealed?

12 A Yeah, I-- I think that's what the testimony would reveal,
13 yes.

14 Q If the commission places in their order as a condition of
15 sale that Sully Buttes has to comply with all the
16 contracts and leases currently in place, would this
17 satisfy your concern?

18 A If it is stated in the order-- no, it would not satisfy
19 my concern because-- may I finish? Okay, I thought you
20 were gonna say something. No, it does not satisfy my
21 concern because my concern is down the road if they
22 can't. Honor those. That's my concern. That's my only
23 concern. Regarding that. I asked for the information, it
24 cannot be provided to me. Has not been provided to me.
25 I'm not quite sure which is-- which is the case. However,

1 I have not been provided with that information.

2 Q So the only thing that would satisfy your concern is if
3 you personally can look at these contracts and substitute
4 your business judgment for that of Sully Buttes?

5 A No. No. What would satisfy me is if Sully Buttes
6 submitted the list to me so I can be assured that Sully
7 Buttes has the information. And-- and can honor them.

8 Q And Sully Buttes' testimony stating to you under oath
9 that they have, in fact, viewed the contracts and that
10 they can, in fact, honor them is not sufficient for you,
11 is that what you're saying?

12 MS. CREMER: I'm going to object merely because I
13 think we've asked and answered this for at least ten
14 minutes and we're going round and round and round and now
15 that's my question.

16 MS. WIEST: Sustained.

17 MRS. ROGERS: That's all, thank you.

18 MS. WIEST: Commissioners?

19 MS. NELSON: I have a couple.

20 CROSS-EXAMINATION

21 Q (BY MS. NELSON) Keith, it's true that you had limited
22 experience in dealing with sale of telephone exchanges in
23 South Dakota and limited experience with commission,
24 right?

25 A Yes, it is.

1 Q But, isn't it also true that you had access to all the
2 other senior staff people at our office?

3 A Yes, I have.

4 Q That you could confer with?

5 A And I have used various individuals.

6 Q Isn't it also true that you have access to all the public
7 records in our office that dealt with the sale of
8 telephone exchanges in the past in the state of South
9 Dakota?

10 A Yes, that's true.

11 Q And did you look at some of those to decide-- to find out
12 how you should proceed in dealing with this exchange?

13 A Yes, I did review--

14 Q Sales?

15 A Various sale documents.

16 Q So you did use past experience and how this commission
17 has dealt with the sale of telephone exchanges and
18 proceeded accordingly in this docket?

19 A Yes.

20 Q Do you know that if in the past telephone exchange sales
21 in the state of South Dakota this commission has required
22 the information that you have requested from Sully Buttes
23 in terms of the list of the contracts and the list of
24 services and the price that U.S. West charges versus what
25 the price of what the purchaser was going to charge?

1 A I do not know if that information was specifically
2 requested, no.

3 Q And so you don't know if we looked at it?

4 A I do not know that. I know that the orders did state much
5 as I've stated today.

6 Q Keith, isn't it true that if the Sisseton exchange
7 remained a U.S. West exchange that they would have the
8 protection of the Public Utilities Commission in terms of
9 oversight of rates, in terms of consumer complaints, in
10 some of those rights would change then if you went to the
11 cooperative? Because isn't it true that the commission
12 does not have anything to do with the rates that the
13 cooperatives sell? We only have jurisdiction in terms of
14 customer complaints and quality of service?

15 A I don't know if I can go that far. I know that we do not
16 have rate regulation over Sully Buttes and I know that
17 U.S. West is under a price cap.

18 Q Would you know if we have anything-- we have anything to
19 say about the switched access rates? Our jurisdiction in
20 that area change if they were coop versus if they're a
21 U.S. West exchange?

22 A As far as switched access rates, I am unaware of any
23 changes that would take place. Both companies have to
24 file for switched access once every three years, I think.
25 Yes, it is, I'm pretty sure it's three years.

1 Q Were you in the room when Mr. Houdek testified that he
2 hadn't seen-- yet seen all of the U.S. West contracts?

3 A Yes, I was.

4 Q Then is that part, in part, what you based your
5 recommendation on not having seen the list of those
6 contracts-- is that why you're concerned about his--
7 about Sully Buttes not being able to necessarily meet all
8 the the requirements, even though it's required by
9 statute?

10 A My concern is is that there may be something out there
11 that they are unaware of that they cannot honor.

12 MS. NELSON: Okay, thank you.

13 CROSS-EXAMINATION

14 Q (BY MR. BURG) I have concerns along the same line. Did
15 I-- did you say that they testified they had not seen all
16 the contracts?

17 A I cannot state that is what they testified to.

18 Q If I recall the testimony was that they had seen all the
19 contracts at a position-- at a place in Denver where they
20 were not able to remove them but they were able to review
21 all of them. Is that-- is that the way you heard the
22 testimony?

23 A That's the way they testified today, yes.

24 Q Okay, so they-- so it would be inaccurate to say that
25 they did not see them, probably?

1 A I did not say that they did not see them.

2 Q I know that you did but you said yes when the
3 commissioner asked that question. Further, if I
4 understand what you're requesting you want to see a
5 physical list of all the contracts?

6 A Yes. I want Sully Buttes to be able to provide me with a
7 list. Therefore, satisfying in my mind that they have and
8 know all the contracts that are out there.

9 Q What method are you gonna know-- use to verify that that
10 list is complete?

11 A I have no method. Of verifying that list is complete.

12 Q So is that list very valuable then?

13 A The list itself valuable to me?

14 Q If you can't verify that everything's on the list? I
15 guess what I'm getting at. Let me state it again. What my
16 concern is, I'm more concerned about an all-inclusive
17 list than I am of a statement to say we'll meet
18 whatever's out there. Because if you're provided with a
19 list that I don't feel in the commission there's any way
20 of verifying that the list is complete, and something's
21 missed off that list and that would come up, would they
22 be liable?

23 A My understanding is that they are stating that they will
24 honor all contracts, leases, other agreements, there was
25 another word in there, I can't remember exactly what it

1 was. But they were going to honor all that. I-- my
2 concern is is they may not know all of them that are out
3 there. Therefore, I have a concern that they may not be
4 able to honor all of them.

5 Q Then if they don't know if they're out there how can you
6 get a list of them? My concern is I'm much more
7 comfortable with the facts saying whether we know they're
8 there or not, whatever's out there, regardless of whether
9 we know 'em or not, we're gonna meet 'em. And we have the
10 force of South Dakota law to require them to meet them.
11 Whether or not they know them. I have a bigger concern
12 with the list that may or may not be complete and then
13 saying that list is all inclusive when we don't know if
14 it's all inclusive and that's what they have to live
15 with. I'm more comfortable with a statement saying that
16 we will meet whatever's out there, whether we're aware of
17 it today or not today and that they've made a statement
18 of that and we have the force of South Dakota law in our
19 orders to enforce that particular part. The same is true
20 for the-- for the services and the prices. Again, the
21 statement that I heard was that it's nearly impossible to
22 determine every individual person's price. And put it on
23 the list that would be available to the commission. I'm
24 more comfortable with the statement saying, regardless of
25 what the price is, we're gonna honor it and regardless

1 what the service is we're gonna honor it. And, yes,
2 there's one service we can't, it's LMS, and here's our
3 solution. What I'm trying to find out is what you're
4 requesting how that's more assurance that the public's
5 going to be requested and if that can't be provided we
6 should not approve this-- we should not approve this sale
7 because that's what I think your requests lead to.

8 A My concern is is that there is something out there that
9 they are unaware of that they, for some reason, cannot
10 honor, much like the LMS.

11 Q But how does your-- how does this list you're requiring
12 assure you that that's being met?

13 A The only assurance it's going to give me is it is going
14 to tell me that they do have something. Right now my
15 understanding is they-- they have not been able to
16 provide me with anything. If they are able to provide me
17 with something I know that they know what the rates-- I
18 know that they've attempted to determine what those rates
19 are. What those contracts are. They have stated that they
20 have gone out and looked at all those.

21 Q But you're not comfortable with the fact that, regardless
22 of whether they're aware of it, or even aware of exactly
23 the price, they've made a sworn assurance that they will
24 meet them is not-- is not adequate to protect the public?

25 A Would you please restate that again? I'm a little--

1 Q I'm saying the statement that whether we know about 'em
2 or not, whether we know the rate or not, whatever it is,
3 whatever anybody can show us that it is through a
4 contract with them, we will meet it is not better
5 protection than-- from the public than a list that we
6 do-- we may or may not be complete?

7 A My concern is is that they're stating-- they're making a
8 statement that they will honor, whether it be rates,
9 service, contracts, leases, whatever, they will honor,
10 and that statement is under oath, it's gonna be in the
11 commission order, I can accept that, and I will agree
12 with that. My concern is is what's going to happen if
13 they can't do one of those things. Much like LMS.

14 Q What are you concerned could happen?

15 A I have no idea.

16 Q Well, they made a statement they will meet it. And we can
17 force them to. By force of law. So how much stronger can
18 we get than that?

19 A I do not know.

20 Q That's--that's where I'm getting at. I mean I don't-- I
21 don't prefer to go through an exercise that doesn't get
22 us any further than a sworn statement that they will
23 comply. And the other thing that I would say is I don't
24 recall us requiring any kind of a list like this in any
25 other settlement and I guess if you've relied on other--

1 other approvals to determine that and you have already
2 stated you didn't know if that was in them. I wonder if
3 you looked at those and studied them as to making this
4 determination, how you would know or not know that they
5 were--that that kind of list was required? I'm just
6 getting to the point. I don't want to get some list that
7 means nothing to us because we, as a commission, have no
8 way to prove if the list is complete and we also probably
9 have no way to prove at this time whether they can meet
10 it or not. But a statement that it is-- that they will
11 meet whatever's there is something we can hold them to.

12 MR. BURG: That's all.

13 MS. WIEST: Anything further?

14 MS. CREMER: No.

15 MS. WIEST: Thank you.

16 MS. NELSON: I would recall Mr. Houdek.

17 RANDY HOUDEK,

18 having been previously sworn, testified further as
19 follows:

20 DIRECT EXAMINATION

21 Q (BY MS. NELSON) I guess that for myself the issue about
22 whether or not the list of the contracts, all the
23 contracts were provided would be provided or not, becomes
24 less important, what I think I want to really know is
25 your assurance that you-- because I'm not sure, I need

1 you to clarify again in the record because I think I
2 heard you say two different things and maybe it's just I
3 hear what I want. I want the assurance that you looked at
4 all the contracts that U.S. West has and that you know--
5 did you-- did you or did you not look at all the
6 contracts?

7 A We did. We-- in the data room, in Denver. Some of them I
8 went through, some of them the attorneys went through,
9 the consultants, my operations manager. There are some
10 very technical contracts in there. You'll also find alot
11 of \$2 pole attachments contracts. You'll find something,
12 perhaps, like a maintenance contract on an air
13 conditioner. Alot of this stuff isn't an issue. The stuff
14 that was an issue we-- well, they're all in issue, I
15 guess, but the more technical stuff we had our attorneys
16 and consultants and accountants look at 'em to assure
17 ourselves there was nothing in here that was going to
18 adversely affect our operation.

19 Q So you're telling me that you did look at all contracts?

20 A I or my staff.

21 Q Or somebody did. They've been reviewed by Sully Buttes?

22 A Exactly.

23 Q Your attorney or yourself, somebody representing Sully
24 Buttes. I want to make sure that you did-- they provided
25 you with everything that they have out there so you don't

1 have any surprises.

2 A I looked at everything that was in the data room in
3 Denver. And I was told that that was all the contracts in
4 place.

5 MS. NELSON: Okay. That's what I wanted to know.

6 A Okay.

7 MS. NELSON: Thank you.

8 MS. WIEST: Any other questions of this witness?
9 Thank you. Does anybody else have any other witnesses?

10 MS. CREMER: No, staff does not.

11 MS. WIEST: Then my question is is there any
12 members of the public who have any testimony to give on
13 the sale? Was there any members of the public who have
14 any testimony to give, whether they would like the sale
15 to go through or not? Then I would ask if there are any
16 closing statements at this time? Mr. Welk?

17 MR. WELK: General Counsel Wiest, before we close
18 the record up I wanted to get back to a couple of matters
19 that you brought up. One was the confidentiality of the
20 intrastate switched access rates. I did consult with my
21 client during the break and we are willing to waive the
22 confidentiality on the one page that you had asked to be
23 inserted in the record. Provided there's an understanding
24 that's not a waiver of the entire purchase agreement. I
25 have now had that marked or have copied and will have it

1 marked but we will not claim the paragraph that you asked
2 to be inserted as being confidential. The second matter,
3 I believe, that Mrs. Rogers has a motion that we've both
4 like to join in and I'll start out by the motion. You
5 reminded us in the hearing by some of your questions that
6 when we went through the last sale of approximately 64
7 exchanges an issue, a similar issue, arose about the
8 intrastate access rates and, as you well know, under your
9 switched access rules there's a provision that requests
10 can be made to waive the implementation and use of the
11 switched access rules and in the other exchanges, we--
12 the companies, the buyers and the sellers jointly filed a
13 motion requesting such a waiver and it would be our
14 intent to do so and we'd like the record left open to
15 make that filing, similar to how we did in the other
16 exchanges.

17 MS. WIEST: And then in that filing I would
18 request that the elements be listed separately so we know
19 what the element charges are also. Anything further, Mr.
20 Welk?

21 MR. WELK: No. And we have no closing statement,
22 General Counsel.

23 MS. WIEST: Miss Rogers, do you have any closing?

24 MRS. ROGERS: I would just echo what Mr. Welk
25 said and I do-- my notes don't indicate whether or not

1 Exhibit 9 was received.

2 MS. WIEST: I believe it was. But I'll clarify
3 that. Nine, ten and then let's mark the page of the
4 purchase agreement there. As Exhibit 11.

5 MR. WELK: That is 9.

6 MRS. ROGERS: The second item was with regard to
7 the ETC status. And I think that U.S. West has filed a
8 petition to relinquish their ETC status and so Sully
9 Buttes then will be filing to receive ETC status in the
10 Sisseton exchange.

11 MR. BURG: Okay. That-- I need clarification. Is
12 that separate from this filing then? Because I was
13 confused as to whether to include it in this one or not.

14 MRS. ROGERS: I believe that that's separate from
15 this filing and I think, in fact, at the very outset of
16 this hearing process when we talked about a procedural
17 schedule and how to proceed we stated at that time that
18 we would do that in a separate proceeding once this has
19 been approved and the relinquishment--

20 MR. BURG: There was a point at which I was
21 confused, whether it was part of this current request or.

22 MRS. ROGERS: No, I believe that would be
23 separate.

24 MR. WELK: Our relinquishment is.

25 MR. BURG: Yes, that I understand.

1 MRS. ROGERS: And then, finally, the only other
2 thing that I would state is I believe that Sully Buttes
3 has clearly demonstrated that this sale would be in the
4 public interest. With regard to the-- any conditions that
5 the commission would put on approval of the sale, I would
6 request that the commission honor our request for our
7 treatment of the LMS as presented in our testimony. And
8 we would urge the commission to approve it. Thank you.

9 MS. WIEST: Anything further?

10 MS. CREMER: No, I have nothing.

11 MS. WIEST: I'm assuming that no briefs-- is
12 anybody requesting any briefs? Okay. Thank you. That
13 would close the hearing.

14 (End of proceedings.)

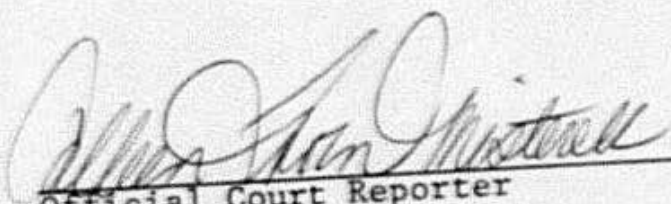
15 STATE OF SOUTH DAKOTA) SS
16 COUNTY OF ROBERTS)

CERTIFICATE

17 I, Calleen Thorn Misterek, am an Official Court
18 Reporter within and for the Fifth Judicial Circuit of the
19 State of South Dakota and I do hereby certify that I
20 acted as such reporter for this hearing and that the
21 preceding 107 pages constitute a full, true and correct
22 transcript of all of the proceedings held thereon.

23 Dated at Sisseton, South Dakota, this 17th day of

24 April, 2000.

25 
Official Court Reporter

RPR

RECEIVED

DEC 07 1999

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE
ACQUISITION FROM U S WEST
COMMUNICATIONS INC. OF THE
SISSETON TELEPHONE EXCHANGE BY
VENTURE COMMUNICATIONS, INC.

Docket No. TC99 _____

JOINT APPLICATION FOR AN ORDER
APPROVING SALE OF TELEPHONE EXCHANGE

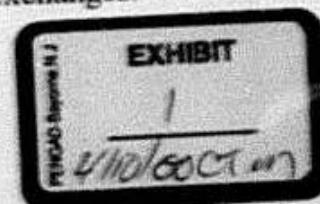
U S West Communications, Inc. ("U S WEST"), and Sully Buttes Telephone Cooperative, Inc. ("SBTC") and Venture Communications, Inc. ("VCI") make this joint application to the Commission pursuant to SDCL 49-31-59 for approval of the sale of U S WEST's Sisseton Telephone Exchange to SBTC/VCI. In support of this Joint Application, the parties state as follows:

1. U S WEST is a Colorado corporation with its principal place of business in South Dakota located at 125 S. Dakota Avenue, Sioux Falls, SD 57194. U S WEST's main office is located at 1801 California Street, Suite 5100, Denver, Colorado 80202. U S WEST provides local exchange and interexchange telecommunications services within the jurisdiction of this Commission.

2. VCI and SBTC are both South Dakota corporations; VCI was incorporated in 1986, SBTC was incorporated in 1952. Both VCI's and SBTC's principal offices are located at:

218 Commercial Avenue
P.O. Box 157,
Highmore, South Dakota, 57345-0157
Tel: (605) 852-2224
Fax: (605) 852-2404

3. VCI is a wholly-owned subsidiary of SBTC. VCI currently provides local exchange and interexchange telecommunications services in nine South Dakota exchanges; SBTC provides local exchange and interexchange services in 15 South Dakota exchanges. VCI



and SBTC both hold Certificates of Authority issued by this Commission in each of the local exchanges in which they provide telecommunications services.

4. On July 23, 1999, U S WEST and VCI entered into an Agreement for Purchase and Sale of Telephone Exchanges ("Purchase Agreement"). A true and correct copy of the Purchase Agreement will be provided to the Commission on a proprietary and confidential basis subsequent to the filing of this Joint Application, pursuant to ARSD 20:10:01:41. The Purchase Agreement provides for the sale of U S WEST's assets in the Sisseton Exchange to VCI.

5. Pursuant to the terms of the Purchase Agreement and subject to the approval of this Commission, U S WEST will transfer to VCI/SBTC all of the physical assets and the operations of the Sisseton Exchange. After the transfer, VCI/SBTC will own, operate and manage the Sisseton Exchange.

6. SDCL 49-31-59 requires the Commission, in evaluating the sale of an exchange, to consider the protection of the public interest, the adequacy of local telephone service, the reasonableness of rates for local service, the provision of 911, Enhanced 911, and other public safety services, the payment of taxes, and the ability of the local exchange company to provide modern, state-of-the-art telecommunications services that will help promote economic development, tele-medicine, and distance learning in rural South Dakota. The Joint Applicants address these factors and will file testimony further bearing on these factors subsequent to filing this Application, as required by the Commission.

7. VCI/SBTC are technologically, managerially and financially capable of providing service to the subscribers in the Sisseton Exchange. VCI/SBTC have extensive experience in providing local exchange telecommunications services in South Dakota, especially in smaller, rural communities such as the Sisseton Exchange.

8. VCI/SBTC will provide local service through a stand alone remote switch installed at Sisseton, thus making available to residents and businesses in the Sisseton community state-of-the-art telecommunications services. Rates charged for local service will be the same as the rates charged by U S WEST for a minimum of six months. VCI/SBTC will also continue to provide the same public safety services as are provided by U S WEST. The stand alone remote switch VCI/SBTC will install will enable VCI/SBTC to provide CLASS services and other services including, but not limited to, Caller ID, Voice Mail and ISDN. These features will help promote economic development and will assure the availability of tele-medicine and distance learning in the Sisseton exchange.

9. VCI/SBTC will adopt U S WEST's intrastate local exchange rates in effect in the Sisseton Exchange on the day of closing, and will maintain such rates without change for six months following the closing of this transaction. VCI/SBTC have no present intention to increase the basic local exchange rates in the Sisseton Exchange, or any other exchange it currently serves, as a consequence of this transaction. VCI/SBTC will continue to provide those products and services that the customers in the Sisseton Exchange currently obtain from U S WEST. In addition, since VCI/SBTC is not subject to the interLATA restrictions affecting U S WEST, VCI/SBTC can offer both intraLATA and interLATA interexchange services, thus providing customers the option of one-stop shopping for telecommunications services.

10. VCI/SBTC intend to contract with U S WEST for the provision of operator services and directory assistance/DA call completion. The transfer of assets to VCI/SBTC will have no effect on 911 or Enhanced 911 emergency services, Telephone Relay Service or existing extended area service arrangements or routes.

11. The purchase of the Sisseton Exchange is subject to Federal Communications Commission ("FCC") approval for price cap and study area waivers. The FCC indicated in an

order dated June 21, 1995 that a petition for a study area waiver would not be accepted unless the appropriate state regulatory agency has stated that it does not object to changes in the study area boundaries. For this reason, U S WEST and VCI/SBTC request that the Commission's order in this matter include a statement that the Commission does not object to the FCC granting a study area waiver consistent with the transfer of the Sisseton exchange from U S WEST to VCI/SBTC, nor to any reconfiguration of study area boundaries required by the sale of the Sisseton exchange.

12. U S WEST and VCI/SBTC request that this Commission approve the transfer of the Sisseton exchange as contemplated in the Purchase Agreement. U S WEST makes its request for approval conditioned upon acceptance of the accounting and ratemaking treatment set forth in the Purchase Agreement, including recognition of the traditional FCC accounting practices which dictate that U S WEST's gain be treated below-the-line or as a non-operational item for both ratemaking and accounting purposes.

13. In accordance with ARSD 20:10:27:04, U S WEST keeps its books and records in conformance with the latest FCC rules and will account for the sale using FCC Part 32, Uniform System of Accounts procedures. Part 32, paragraph 32.20000(d)(5) of these procedures states:

When the telecommunications plant is sold together with traffic associated therewith, the original cost of the property shall be credited to the applicable plant accounts and the estimated amounts carried with respect thereto in the accumulated depreciation and amortization accounts shall be charged to such accumulated accounts. The difference, if any, between the net amount of such debit and credit items and the consideration received (less commissions and other expenses of making the sale) for the property shall be included in Account 7350, Gains and Losses from Disposition of Certain Property. The accounting for depreciable telecommunications plant sold without the traffic associated therewith shall be in accordance with the accounting provided in Account 3100.

A sale is considered to include traffic if the customers receive their service from the purchaser after the sale and the transfer is complete. In this sale, the assets used to provide service will be transferred, not removed from service, and the customers in the Sisseton Exchange will receive

their telephone service from VCI/SBTC after the sale and asset transfer is completed. In following Part 32 FCC Accounting Rules, the gain that U S WEST expects to recognize on this sale with traffic will be recorded in Account 7350, a non-operating income (or expense) account which is not included in South Dakota regulatory reporting or rate making proceedings.

14. For the purposes of this filing, US WEST may be contacted as follows:

Larry Toll
U S WEST Communications, Inc.
125 S. Dakota Avenue
Sioux Falls, SD 57194
Tel: (605) 339-5411
Fax: (605) 339-5390

With a copy to:

Thomas J. Welk, Esq.
Boyce, Murphy, McDowell & Greenfield
P. O. Box 5015
Sioux Falls, SD 57117-5015
Tel: (605) 336-2424
Fax: (605) 334-0618

15. For purposes of this filing, VCI/SBTC may be contacted as follows:

Randy Houdek
218 Commercial Avenue
P. O. Box 157
Highmore, SD 57345-0157
Tel: (605) 852-2224
Fax: (605) 852-2404

With a copy to:

Darla Pollman Rogers
Meyer & Rogers
320 East Capitol Ave.
P. O. Box 1117
Pierre, SD 57501
Tel: (605) 224-7889
Fax: (605) 224-9060

WHEREFORE, Joint Applicants respectfully request that the South Dakota Public Utilities Commission enter an order:

- (A) Approving the sale of the Sisseton Exchange by U S WEST to VCI/SBTC;
- (B) Amending VCI's or SBTC's Certificate of Authority in South Dakota as necessary to include the Sisseton Exchange;
- (C) Stating that the Commission does not object to the granting of any required study area waivers by the FCC, or to any reconfiguration of study area boundaries resulting from the sale of the Sisseton Exchange;
- (D) Designating VCI or SBTC, as appropriate, as an Eligible Telecommunications Carrier (ETC) in the Sisseton exchange pursuant to Section 214(e) of the 1996 Telecommunication Act;
- (E) Affirming that any gain from this transaction will be booked to U S WEST's account 7350, and will not be considered by the Commission for U S WEST ratemaking purposes.

Respectfully submitted,

U S WEST COMMUNICATIONS, INC.

By: 

Thomas J. Welk, Esq.
Boyce, Murphy, McDowell & Greenfield
P.O. Box 5015
Sioux Falls, SD 57117-5015
Tel: (605) 336-2424

Paul Hybel, Esq.
Freeborn & Peters
311 South Wacker Drive Suite 3000
Chicago, IL 60606-6677
Tel: (312) 360-6717
Attorneys for U S WEST Communications, Inc.

VENTURE COMMUNICATIONS, INC.

And

SULLY BUTTES TELEPHONE COOPERATIVE,
INC.

By: Darla Rogers

Darla Rogers, Esq.
Meyer and Rogers Law Firm
320 East Capitol
P.O. Box 1117
Pierre, SD 57501
Tel: (605) 224-7889

Attorney for Venture Communications, Inc. and
Sully Buttes Telephone Cooperative, Inc.

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

RECEIVED
FEB 01 2000
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE SALE BY U S WEST)
COMMUNICATIONS, INC. OF THE SISSETON)
TELEPHONE EXCHANGE TO VENTURE) TC99-112
COMMUNICATIONS, INC. AND SULLY)
BUTTES TELEPHONE COOPERATIVE, INC.)

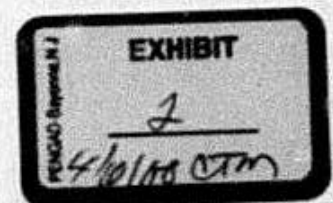
FAX Received JAN 31 2000

U S WEST COMMUNICATIONS, INC.

DIRECT TESTIMONY OF

LARRY TOLL

Filed January 31, 2000



1 Q. PLEASE STATE YOUR NAME AND ADDRESS AND BY WHOM ARE YOU
2 EMPLOYED?

3 A. My name is Larry Toll. My business address is 125 South Dakota Avenue, Sioux Falls,
4 South Dakota 57194. I am employed by U S WEST Communications, Inc. ("USWC")
5

6 Q. WHAT ARE YOUR RESPONSIBILITIES WITH U S WEST COMMUNICATIONS?

7 A. I am the South Dakota Vice President. In that position I am responsible for the
8 Regulatory, Public Affairs, and Legislative Operations of U S WEST in South Dakota.
9

10 Q. WHAT EXPERIENCE AND EDUCATIONAL BACKGROUND DO YOU BRING TO
11 THIS POSITION?

12 A. I earned a Bachelor of Science Degree from Iowa State University and a Masters of
13 Science Degree from Pace University. I began my career with Northwestern Bell
14 Telephone Company in 1970 and have worked for AT&T and U S WEST. In addition to
15 positions in operator services and engineering, I have held numerous positions in
16 Regulatory and Public Affairs at both a state and corporate level. I have been State Vice
17 President in South Dakota since 1996.
18

19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

20 A. The purpose of my testimony is to provide background information about the sale of the
21 USWC Sisseton exchange to Sully Buttes Telephone Cooperative, Inc. (Sully Buttes) and
22 discuss why the sale is in the public interest for customers of the Sisseton exchange.
23

1 Q WHAT IS THE NATURE OF THE PROPERTY USWC IS SELLING AS TO THE
2 SISSETON EXCHANGE?

3 A USWC is selling its complete enterprise associated with telecommunications service in
4 the Sisseton exchange. It is selling more than just the assets associated with the Sisseton
5 exchange. USWC is selling and Sully Buttes is purchasing the physical property, plant,
6 and equipment, and all of the ongoing operations. Sully Buttes is assuming all of
7 USWC's contracts.
8

9 Q WHY DID USWC DECIDE TO SELL THE SISSETON EXCHANGE?

10 A Sisseton is remotely located in relation to other USWC exchanges. It is 50 miles from
11 the nearest USWC exchange at Milbank and 56 miles from the larger Watertown
12 exchange. It is completely surrounded by independent company-owned exchanges.
13

14 Q HOW DID YOU DETERMINE WHO THE BUYER WOULD BE?

15 A Several independent companies had informed U S WEST of their interest in purchasing
16 the Sisseton exchange. We offered the Sisseton exchange to interested independent
17 companies via a bidding process and Sully Buttes was the successful bidder.
18

19 Q WHAT FEDERAL COMMUNICATIONS COMMISSION (FCC) APPROVALS ARE
20 NECESSARY TO COMPLETE THE SALE OF THE EXCHANGE?

21 A Two FCC approvals are necessary to sell the Sisseton exchange to Sully Buttes. First,
22 USWC and Sully Buttes must obtain a waiver of the FCC's rules that freeze study area
23 boundaries. The FCC will not consider study area boundary changes until this
24 Commission states that it has no objection to such changes. Accordingly, the parties

1 have asked the Commission to do just that in its order.

2
3 USWC must also obtain FCC approval under section 214 of the Telecommunications Act
4 of 1996 to discontinue service in the wire centers being sold. After the FCC grants both
5 requests, USWC can transfer the Sisseton facilities to Sully Buttes.

6
7 Q. WHAT STATE GOVERNMENT APPROVALS ARE NECESSARY TO COMPLETE
8 THE SALE OF THE EXCHANGE?

9 SDCL 49-31-59 requires that any sale of a telecommunications exchange shall be
10 approved by a vote of the Public Utilities Commission (Commission).

11 In addition, the Commission must approve the USWC relinquishment of its eligible
12 telecommunications carrier ("ETC") status for the Sisseton wire center, allowing the
13 transfer of ETC obligations from USWC to Sully Buttes.
14

15 Q. WHAT ARE THE APPLICABLE CRITERIA THE COMMISSION SHOULD
16 CONSIDER IN THE SALE OF A TELEPHONE EXCHANGE?

17 A. SDCL 49-31-59 states that the Commission shall consider:

- 18 - The protection of the public interest.
- 19 - The adequacy of local telephone service.
- 20 - The reasonableness of rates for local service.
- 21 - The provision of 911, enhanced 911 and other public safety services.
- 22 - The payment of taxes.
- 23 - The ability of the local exchange company to provide modern, state-of-the-art
24 telecommunications services that will help promote economic development, tele-
25 medicine, and distance learning in rural South Dakota.

1
2 Q. DOES THE SALE OF THE SISSETON EXCHANGE MEET THE CRITERIA
3 CONTAINED IN SDCL 49-31-59?

4 A. Yes. I will discuss the public interest criteria. Mr. Houdek will address the remaining
5 criteria. Brad Blinsmon, a manager in the U S WEST, Inc. tax department, will discuss
6 the payment of taxes arising from the sale.
7

8 Q. WHY IS THIS SALE IN THE PUBLIC INTEREST?

9 A. This sale is in the public interest because Sisseton customers will obtain improvements
10 and new services more quickly from Sully Buttes than they would from USWC. USWC
11 has limited resources to devote to an increasing demand for network infrastructure
12 improvements and new services. Sully Buttes has the ability to obtain capital and the
13 incentive to invest in the Sisseton exchange from funding not available to USWC.
14 Hence, the sale benefits Sisseton exchange customers.
15

16 Q. IS THE INVESTMENT ISSUE THE ONLY REASON WHY THAT SALE IS GOOD
17 FOR THE CUSTOMERS?

18 A. No. The sale is also advantageous from an operations standpoint. The Sisseton exchange
19 is located in an area of South Dakota remote to USWC's network operations groups.
20 While technological advances have allowed more efficient utilization of work forces,
21 maintenance is still labor intensive, particularly for outside plant. Operationally, Sully
22 Buttes is well positioned to provide improved service quality because they have
23 personnel and supervision adjacent to this area today. All of these factors ultimately

1 translate to better service for customers remaining with USWC and for customers in the
2 Sisseton exchange.

3
4 In addition, Sully Buttes is not subject to certain restrictions affecting USWC. Sully
5 Buttes can offer interLATA interexchange service providing customers one-stop
6 shopping for telecommunications services.

7
8 Q WHAT IS THE HISTORY OF SERVICE QUALITY WITH SULLY BUTTES?

9 A To USWC's knowledge, Sully Buttes' service is excellent.

10
11 Q ARE THERE ANY OTHER CONDITIONS OF THE SALE FOR THE COMMISSION
12 TO CONSIDER?

13 A Yes. The Commission should affirm USWC's request to retain the gain from the sale for
14 the benefit of its stockholders, USWC's plan to book such gain to USOA Account 7350,
15 and USWC and Sully Buttes' agreement not to use such gain for ratemaking purposes.

16
17 Q WHAT HAPPENS IF THE COMMISSION REFUSES TO ALLOW THE GAIN TO BE
18 BOOKED AS REQUESTED BY USWC?

19 A The sale will not occur as approval of booking the gain as requested by USWC is a
20 condition of the sale.

21
22 Q WHY DOES THE TRANSFER OF THE ETC STATUS NEED TO BE APPROVED?

23 A 47 USC §214 (e)(4) and SDCL 49-31-78 and ARSD 20:10:32:48 require the Commission
24 to approve USWC's relinquishing its ETC status.

1

2 Q. WHAT DOES ARSD 20:10:32:48 REQUIRE TO HAVE USWC RELINQUISH ITS
3 ETC DESIGNATION?

4 A. This regulation requires USWC to file a petition providing the Commission with certain
5 information and requesting the transfer of the status.

6

7 Q. HAS USWC FILED THE PETITION?

8 A. USWC is filing the petition, which is attached as Exhibit 1, in connection with this
9 docket requesting approval of the relinquishment of its ETC status.

10

11 Q. ARE THERE ANY OTHER ETCS IN THE SISSETON EXCHANGE AREA?

12 A. None that I am aware of at this time.

13

14 Q. WILL USWC RELINQUISH ITS ETC STATUS TO SULLY BUTTE?

15 A. Yes.

16

17 Q. WILL USWC COMPLY WITH THE COMMISSION'S ORDER IN REGARD TO THE
18 RELINQUISHMENT OF THE ETC STATUS AS REQUIRED BY ARSD 20:10:32:48?

19 A. Yes.

20

21 Q. IN SUMMARY, WHAT DECISION ARE YOU ASKING THE SOUTH DAKOTA
22 COMMISSION TO FIND?

23 A. The Commission should find that:

- 1 (1) the sale of the Sisseton exchange meets the considerations outlined in SDCL 49-30-
2 59;
3 (2) it concurs in the booking of the gain from the sale to USOA account 7350;
4 (3) USWC's relinquishment of its ETC status is approved and transfer of ETC status
5 for the Sisseton exchange to Sully Buttes is also approved; and
6 (4) the Commission has no objection to the proposed study area boundary changes.
7

8 Q DOES THIS CONCLUDE YOUR TESTIMONY?

9 A Yes, it does.
10
11

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

EXHIBIT 1

IN THE MATTER OF THE)
ACQUISITION FROM U S WEST)
COMMUNICATIONS INC. OF THE)
SISSETON TELEPHONE EXCHANGE BY)
VENTURE COMMUNICATIONS, INC.)

Docket No. TC99-112

**PETITION TO RELINQUISH ELIGIBLE
TELECOMMUNICATIONS CARRIER DESIGNATION**

U S West Communications, Inc. ("U S WEST"), pursuant to 47 USC §214 (e)(4), SDCL 49-31-78, and ARSD 20:10:32:48, requests as a part of the approval of the sale of the Sisseton Exchange to Sully Buttes Telephone Cooperative, Inc. ("Sully Buttes") that U S WEST's eligible telecommunications carrier ("ETC") designation and accompanying universal service obligations be relinquished and transferred to Sully Buttes.

Pursuant to ARSD 20:10:32:48, U S WEST provides the following information:

1. U S WEST seeks to relinquish its ETC status for the Sisseton exchange area to Sully Buttes. At this time there are no other eligible telecommunications carriers servicing the area.
2. Sully Buttes will assume all ETC obligations upon approval of the sale and upon approval of the Public Utilities Commission of the State of South Dakota ("Commission") transferring the ETC status.
3. U S WEST shall continue to meet its ETC obligations to the Sisseton exchange until the date specified in the Commission's order approving the relinquishment.

Dated: January 31, 2000

Respectfully submitted,

U S WEST COMMUNICATIONS, INC.

By: _____

Larry Toll, Vice President

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

FEB 31 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE
ACQUISITION FROM U S WEST
COMMUNICATIONS INC. OF THE
SISSETON TELEPHONE EXCHANGE BY
VENTURE COMMUNICATIONS, INC.

Docket No. TC99-112

FAX Received JAN 31 2000

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Dated: January 31, 2000

Respectfully submitted,

U S WEST COMMUNICATIONS, INC.

By

Larry Toll, Vice President

FAX Received JAN 31 2000

RECEIVED

FEB 01 2000

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE
ACQUISITION FROM U S WEST
COMMUNICATIONS INC. OF THE
SISSETON TELEPHONE EXCHANGE BY
VENTURE COMMUNICATIONS, INC.

) Docket No. TC99-112
)
)
)
)

CERTIFICATE OF SERVICE

I, Thomas J. Welk, do hereby certify that I am a member of the law firm of Boyce, Murphy, McDowell & Greenfield, L.L.P., and on the 31st day of January, 2000, true and correct copies of the Direct Testimony of Larry Toll, Direct Testimony of Brad Blinsmon and the Petition to Relinquish Eligible Telecommunications Carrier Designation were personal served via facsimile at approximately 4:00 on the following at the following fax numbers:

Darla Rogers, Esq. 605-224-9060
Meyer and Rogers Law Firm
320 East Capitol
Pierre, SD 57501

Karen Cremer 605-773-3809
Public Utilities Commission
500 E. Capitol
Pierre, SD 57501



Thomas J. Welk

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

RECEIVED

FEB 01 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE SALE BY U S WEST)
COMMUNICATIONS, INC. OF THE SISSETON)
TELEPHONE EXCHANGE TO VENTURE) TC99-112
COMMUNICATIONS, INC. AND SULLY)
BUTTES TELEPHONE COOPERATIVE, INC.)

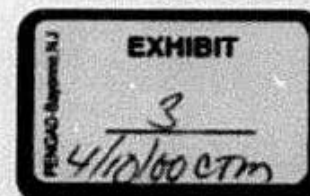
FAX Received JAN 31 2000

U S WEST COMMUNICATIONS, INC.

DIRECT TESTIMONY OF

BRAD BLINSMON

Filed January 31, 2000



1 Q PLEASE STATE YOUR NAME AND ADDRESS

2 A My name is Brad Blinsmon. My business address is 6300 South Syracuse,
3 Englewood, CO 80111.
4

5 Q WHAT ARE YOUR RESPONSIBILITIES AT U S WEST, INC?

6 A I am a property tax manager for U S WEST, Inc and its subsidiaries, including
7 U S WEST Communications, Inc. (USWC). My responsibilities include
8 preparing property tax returns, processing of property tax payments, reviewing
9 property tax valuations, and conducting property tax planning
10

11 Q WHAT EXPERIENCE AND EDUCATION BACKGROUND DO YOU BRING
12 TO THIS POSITION?

13 A Prior to assuming this position in 1998, I was an appraiser for the South Dakota
14 Department of Revenue. I held this position from 1990 to 1998. It was my
15 responsibility to appraise public utilities, railroads, pipelines and airplanes for
16 property tax purposes for the state of South Dakota. I received a Bachelor of
17 Science Degree in Business Administration from the University of South Dakota,
18 Vermillion, SD.

19 Q HAVE YOU EVER TESTIFIED BEFORE THE COMMISSION?

20 A Yes. As a state employee, I testified concerning the tax impact of USWC's 1995
21 exchanges sales.
22
23

1 Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

2 A In my testimony I provide information regarding the impact of the sale of the
3 Sisseton exchange upon the payment of taxes.

4 Q CAN THE TAX IMPACT OF THE SISSETON EXCHANGE SALE BE
5 DETERMINED?

6 A Yes. Though exchange boundaries do not generally correspond to county
7 boundaries, and though South Dakota taxes are based on county boundaries, the
8 tax impact of the Sisseton exchange sale can be determined because Sisseton is
9 the only USWC exchange in Roberts County.

10 Q WHAT IS THE TAX IMPACT OF THE SISSETON EXCHANGE SALE?

11 A According to my calculation, the total amount of taxes paid in Roberts County
12 will increase as a result of the sale. In 1999, USWC paid \$43,801 in property
13 taxes to the Roberts County Treasurer. Because Sisseton is the only USWC
14 exchange in Roberts County, the taxing entities would lose approximately
15 \$44,000. Sully Buttes is taxed in a different manner than USWC. Sully Buttes
16 will pay taxes after the sale on a gross receipts basis. Sully Buttes has tentatively
17 computed the gross receipts taxes attributable to the Sisseton exchange and will
18 provide that information to the Commission. It is my understanding that the
19 amount of gross receipts taxes paid by Sully Buttes after the sale will exceed the
20 amount of taxes paid by USWC prior to the sale.

1 Q HAVE USWC PROPERTY TAXES FOR THE YEAR 2000 BEEN
2 DETERMINED?

3 A No. On or about April 15, 2000, USWC will file with the Department of Revenue
4 ("DOR") the annual report required by SDCL 10-33. The DOR will determine a
5 value for USWC and certify that value to the counties before September 1. After
6 these actions each county will levy the appropriate sum for the tax to be paid in
7 2001. The tax due in 2000 is based on the value set in 1999, just like other
8 property taxes.

9

10 Q DOES THIS CONCLUDE YOUR TESTIMONY?

11 A Yes

12

IN THE MATTER OF THE SALE BY U S WEST)
COMMUNICATIONS, INC. OF THE SISSETON)
TELEPHONE EXCHANGE TO VENTURE)
COMMUNICATIONS, INC. AND SULLY)
BUTTES TELEPHONE COOPERATIVE, INC.)

TC99-112

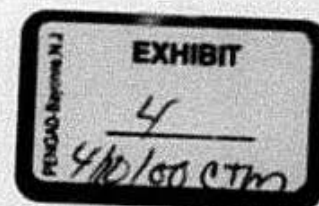
RECEIVED

MAR 03 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

U S WEST COMMUNICATIONS, INC.
SUPPLEMENTAL DIRECT TESTIMONY OF
BRAD BLINSMON

Filed February 24, 2000



Delete lines 4-20 on page 2 of the original testimony and insert the following:

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5 DETERMINED?

6 A Yes. Though exchange boundaries do not generally correspond to county boundaries,
7 and though South Dakota taxes are based on county boundaries, the tax impact of the
8 Sisseton exchange sale can be determined because Sisseton is the only USWC exchange
9 in Roberts County and in Marshall County.

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11 A According to my calculation, the total amount of taxes paid will increase as a result of
12 the sale. In 1999, USWC paid \$43,801 in property taxes to the Roberts County
13 Treasurer and \$510.02 to the Marshall County Treasurer. Because Sisseton is the
14 only USWC exchange in Roberts County, the taxing entities would lose approximately
15 \$44,000. Sully Buttes is taxed in a different manner than USWC. Sully Buttes will
16 pay taxes after the sale on a gross receipts basis. Sully Buttes has tentatively
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JAN 31 2000

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE SALE OF THE
SISSETON EXCHANGE TO SULLY
BUTTES TELEPHONE COOPERATIVE,
INC.

Docket No. TC99-112

PREFILED TESTIMONY
OF
RANDY HOUDEK

PREFILED TESTIMONY OF RANDY HOUDEK

1. Question: Please state your name and business address.

Answer: Randy Houdek

218 Commercial Avenue SE

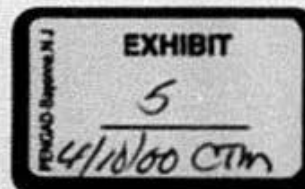
Highmore, South Dakota 57345

2. Question: By whom are you employed and what is your position?

Answer: I am the general manager of Sully Buttes Telephone Cooperative, Inc.
(Sully Buttes).

3. Question: What is your professional background?

Answer: I have worked in the telecommunications industry for the past 13 years. I currently serve on the Board of Directors of South Dakota Network, LLC (SDN); South Dakota Independent Telephone Coalition (SDITC); Local Exchange Carrier Association (LECA), and am president of the Fiber Ring Revenue Pooling Association (FRRPA). I also serve on several state and national committees related to



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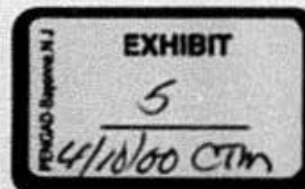
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the telecommunications industry.

4. Question: What is the purpose of your testimony?

Answer: The purpose of my testimony is to provide the factual information needed by the South Dakota Public Utilities Commission (PUC), pursuant to SDCL 49-31-59, to evaluate the request for PUC approval of Sully Buttes' purchase of the Sisseton telephone exchange.

5. Question: Please describe Sully Buttes Telephone Cooperative, Inc.

Answer: Sully Buttes was formed as a South Dakota cooperative in 1952 to offer telephone service to those areas in which communications needs were not being met. Since that time, Sully Buttes has grown into an entity with an asset base of \$50 million, with more than 45 employees. It is an independent telephone company, serving 24 exchanges and having 11,000 access lines in central and northeastern South Dakota.

6. Question: Please describe the Sisseton Exchange.

Answer: The Sisseton, South Dakota telephone exchange is currently being served by U S West Communications, Inc. of Denver, Colorado. The Sisseton Exchange, located in northeastern South Dakota, has approximately 2,400 access lines. The Sisseton Exchange was recently offered for sale by U S West. Sully Buttes was the successful bidder for this exchange.

THE IMPACT OF THE SALE ON RATES

7. Question: Will the sale result in a rate increase for customers of Sisseton?

Answer: No. The sale will not cause local rates to increase, and no rate design

changes are contemplated. In addition, Sully Buttes agreed in the Purchase Agreement not to increase local rates or change rate design, except in response to a PUC order or to effect a change in tax rates on a flow-through basis, for a period of 12 months from the date of closing. Please see Attachment A for the rates charged for business and residential lines.

8. Question: Will switched access rates be affected by the sale?

Answer: Sully Buttes does not intend to increase switched access rates in the near future. However, these rates are subject to LECA and NECA rates, and can also be affected by a change of meetpoint.

9. Question: Does Sully Buttes agree to a condition on the approval of the sale that it not recover any of the acquisition adjustment in regulated interstate or intrastate rates?

Answer: Yes. Sully Buttes agrees that it will not recover any portion of the acquisition adjustment through its regulated interstate or intrastate rates or through federal or state Universal Service Funds.

THE IMPACT OF THE SALE ON SERVICES

10. Question: What services will be offered after this sale is approved?

Answer: All services currently provided in the Sisseton Exchange will continue to be available after the sale.

11. Question: Will Sully Buttes offer distance learning and tele-medicine services?

Answer: Yes. Sully Buttes intends to offer these services in the Sisseton Exchange. Sully Buttes participates in the state ATM project and the clinics in Sully Buttes'

service areas will have the option of using ISDN for tele-medicine.

12. Question: Will emergency services be affected by the sale?

Answer: Sisseton does not currently have 911 services, however, Sully Buttes will cooperate with the county and assist in the provision of these services. Sully Buttes will also provide the county with accurate data for its data base.

13. Question: Is extended area service ("EAS") available in the Sisseton Exchange?

Answer: Yes. It is our understanding that Sisseton has existing EAS Agreements with Clarie City, New Effington, Peever, Rosholt, and Veblen. Sully Buttes plans to continue existing EAS arrangements.

14. Question: Are there any pending petitions for EAS?

Answer: No.

15. Question: Do customers of Sisseton have local access to the internet using local calling?

Answer: Yes. The customers currently have local access to independent internet service providers. In addition, Sully Buttes will make the services of its internet available to Sisseton customers, thus providing them with a choice for additional internet services.

16. Question: What will be the treatment of rates for touchtone service?

Answer: Touchtone service is currently included in the monthly line charge, and Sully Buttes will continue to do this.

FACILITIES

- ✓ 17. Question: Please describe the current switching and other facilities and any additions or upgrades currently contemplated.

Answer: U S West currently provides service in the Sisseton Exchange using a Lucent 5ESS Remote Switch connected to a host switch in Watertown, South Dakota. Our upgrade plans for Sisseton include replacement of the existing remote switch with a Nortel stand alone DMS-10 switch. This feature-rich digital switch will allow Sully Buttes to provide additional services and access line growth. In addition, Sully Buttes will plow a fiber-optic cable route west to Britton. This additional toll route will provide a diversified connection to SDN.

CUSTOMER SERVICES AND REPAIRS

- ✓ 18. Question: How will customer services and repairs be provided after the sale?

Answer: Sisseton customers should experience an improvement in customer service and repairs. Sully Buttes has contacted the current U S West employee stationed in Sisseton to discuss possible employment. In addition, we currently have three very capable technicians stationed within 20 miles of Sisseton and who will be readily available to assist customers.

EFFECT OF SALE ON OTHERS

19. Question: Will the sale have any effect on parties having contracts with U S West regarding the Sisseton Exchange?

Answer: No. Under the terms of the purchase agreement, Sully Buttes agreed to assume any existing contracts, leases, licenses and other agreements which relate

to, arise from, or are used for the operation of the Sisseton Exchange.

ECONOMIC DEVELOPMENT

20. Question: What are your views on economic development?

Answer: A strong local economy is very important to Sully Buttes. Sully Buttes has a long-standing and demonstrated policy of supporting local economic development. Sully Buttes has always prided itself on a strong commitment to the local communities in which it serves. Sully Buttes strives to purchase needed services locally whenever possible.

UNIVERSAL SERVICE FUND IMPACT

21. Question: What impact, if any, will the sale have on the interstate universal service fund?

Answer: As the rules exist today, the sale will have no impact on the interstate universal service fund.

TAX CONSEQUENCES

22. Question: What are the tax consequences of this sale?

Answer: Sully Buttes plans to give the Sisseton customers cooperative membership as soon as possible, hopefully within a year or two of purchase. Until such time as this occurs, the operations from the Sisseton Exchange would be subject to federal income tax. After the Sisseton customers become cooperative members, the income from the telephone operations will be excluded from the determination of taxable income, to the extent that it is allocated back to the cooperative members. U S West currently pays property tax on its facilities based in the Sisseton

Exchange. After the purchase of this exchange has been finalized, we will pay gross receipts tax on the revenues generated from the Sisseton customers. Our pro forma indicates this will result in approximately \$50,000.00 being paid to Roberts County, and ultimately to the school districts in that county.

FINANCIAL IMPACT OF THE SALE ON OPERATIONS

23. Question: Has a pro forma been prepared showing the projected revenues and expenses related to the operation of Sisseton after the sale?

Answer: Yes. A pro forma has been prepared for a five-year period in connection with obtaining financing with our lender, RTFC. This pro forma is being filed as a Proprietary Exhibit (Attorney B). Along with this testimony, I would note also that Sully Buttes' acquisition of the Sisseton Exchange will further assist us in optimizing our internal operations.

24. Question: How will this acquisition be financed?

Answer: Sully Buttes is in negotiations with the Rural Telephone Finance Cooperative for a loan to finance approximately 75% to 80% of the purchase price. The balance of the purchase price will be funded through cash.

REGULATORY APPROVAL

25. Question: Is FCC approval of this sale required?

Answer: Yes. The parties will file a joint application to obtain a waiver of the FCC's rules that freeze study area boundaries once the PUC has approved the acquisition. The FCC will not consider study area boundary changes until this Commission states that it has no objection to such changes.

26. Question: If the PUC approves U S West's relinquishment and transfer of its eligible telecommunications carrier (ETC) status for the Sisseton wire center to Sully Buttes, is Sully Buttes willing to accept the ETC Obligations for the Sisseton Exchange?

Answer: Yes.

27. Question: Besides these proceedings, are there other regulatory steps Sully Buttes needs to take?

Answer: Yes. Sully Buttes will also take the necessary steps before the PUC to amend its Certificate of Authority to include the Sisseton Exchange.

CONSISTENCY WITH SDCL 49-31-60 AND 49-31-61.

28. Question: SDCL 49-31-60 and 49-31-61 seek to ensure "that all citizens of South Dakota realize the advantages of the forthcoming information age, including economic development, educational opportunities, a heightened level of medical care, and better, more efficient services from all levels of government." Is the sale of Sisseton consistent with those goals?

Answer: Yes. As I explained, Sully Buttes has been and will remain committed to working with the communities it serves to promote economic development. This commitment will carry over to Sisseton. Sully Buttes will provide the services required by its customers, including ISDN, CLASS, ATM, Frame Relay, and Voice Mail, and a substantial outside plant upgrade will be completed to assure that capability. This will allow the Sisseton community served by Sisseton to compete for new businesses and to retain existing businesses. Sully Buttes is installing re-

dundant fiber transport facilities for interconnection with the host switch and for toll purposes, thus reducing the risk of a fiber cut interfering with either local or long distance services. Sully Buttes will also work with the local school administrator and any health organizations to meet all of their communications needs, including distance learning and tele-medicine. All of these features are the types of activities and infrastructure improvements encouraged by South Dakota law.

CONCLUSION

29. Question: In your opinion, is this sale in the public interest?

Answer: Yes. Sully Buttes has a long-standing and demonstrated commitment to the local community. Sully Buttes will continue to provide the same quality services that U S West currently provides, and new state-of-the-art services will become available as a result of replacement of the switch and as customer needs dictate. Service questions will continue to be handled locally or through a toll free number to Sully Buttes. Sully Buttes will also be a strong participant in local economic projects, distance learning, tele-medicine, and whatever other services are needed to make a strong and viable community.

30. Question: Does this conclude your testimony?

Answer: Yes.

U S WEST COMMUNICATIONS, INC.
Exchange and Network
Services Tariff

SECTION 5

Page 56

Release 7

Effective: 8-18-97

State of South Dakota
 Issued: 8-25-97

5. EXCHANGE SERVICES**5.2 LOCAL EXCHANGE SERVICE****5.2.4 FLAT RATE SERVICE****A. Residence Flat Rate Service (Cont'd)****2. Monthly Rates**

	MONTHLY RATE PER RATE GROUP				
	A	C	E	G	I
• One-party line	\$15.05 (1)	\$15.75 (1)	\$16.55 (1)	\$17.75 (1)	\$18.25 (1)
• Two-party line[1]	13.80 (1)	14.35	15.10	16.10	16.55
• Four-party line[1]	-	13.70 (1)	14.15 (1)	15.05 (1)	15.45 (1)
MONTHLY RATE PER RATE GROUP[2]					
	B		D		
• One-party line					
- BRA	\$12.00		\$12.70		
- OBRA[3]	15.00		15.70		
• Two-party line[1]					
- BRA	10.75		11.30		
- OBRA	13.00		13.55		
• Four-party line[1]					
- BRA	-		10.65		
- OBRA	12.40		12.75		

[1] Service is obsolete. Offering limited to existing installations, subject to continuity of service for the same customer on the same premises.

[2] See Rates and Charges specified in 5.4.2 for applicable Touch-Tone charges.

[3] Available only where facilities permit.

U S WEST COMMUNICATIONS, INC.
Exchange and Network
Services Tariff

SECTION 5
Page 57
Release 4

State of South Dakota
Issued: 8-25-97

Effective: 8-18-97

5. EXCHANGE SERVICES

5.2 LOCAL EXCHANGE SERVICE
5.2.4 FLAT RATE SERVICE (Cont'd)

B. Business Flat Rate Service

The following rates and charges are applicable to business flat rate service.

1. Nonrecurring Charges

	USOC	NONRECURRING CHARGE
• One-party line	1FB	\$47.00
• Incoming line	7FB	47.00
• Two-party line[1]	2FB	47.00

2. Monthly Rates

	MONTHLY RATE PER RATE GROUP				
	A	C	E	G	I
• One-party line	\$27.25 (1)	\$29.65 (1)	\$32.45 (1)	\$36.60 (1)	\$38.40 (1)
• Incoming line	24.90	27.05	29.55	33.30	34.95
• Two-party line[1]	25.20 (1)	27.20 (1)	29.60 (1)	33.10 (1)	34.60 (1)

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