

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

IN THE MATTER OF THE JOINT APPLICATION )	ORDER APPROVING SALE OF
OF KITE PARENT CORP. (A SUBSIDIARY OF )	EXCHANGES; ORDER
WIDEOPENWEST FINANCE, LLC) AND ITS )	APPROVING TRANSFER OF
SUBSIDIARIES KNOLOGY OF THE PLAINS, )	CERTIFICATES OF
INC., KNOLOGY OF THE BLACK HILLS, LLC, )	AUTHORITY
KNOLOGY COMMUNITY TELEPHONE, INC., )	
KNOLOGY OF SOUTH DAKOTA, INC., AND )	TC14-073
BLACK HILLS FIBER SYSTEMS, INC. AND )	
CLARITY TELECOM, LLC REGARDING THE )	
SALE OF TELEPHONE EXCHANGES TO )	
CLARITY TELECOM, LLC, TRANSFER OF )	
CERTIFICATES OF AUTHORITY, ELIGIBLE )	
TELECOMMUNICATIONS CARRIER )	
DESIGNATION, AND RELINQUISHMENT OF )	
ELIGIBLE TELECOMMUNICATIONS CARRIER )	

On July 15, 2014, the South Dakota Public Utilities Commission (Commission) received a joint application to approve the sale of certain local telephone exchanges from Kite Parent Corp. (a subsidiary of WideOpenWest Finance, LLC, (WOW!)), on behalf of itself and its subsidiaries Knology of the Plains, Inc. (Knology Plains); Knology of the Black Hills, LLC (Knology Black Hills); Knology Community Telephone, Inc. (Knology CT); Knology of South Dakota, Inc.; and Black Hills Fiber Systems, Inc. (collectively referred to as WOW! South Dakota) and Clarity Telecom, LLC (Clarity).<sup>1</sup> WOW! South Dakota proposes to sell its local telephone exchanges to Clarity. WOW! South Dakota is owned by WOW!, a communications service provider with its corporate headquarters located in Englewood, Colorado. Kite Parent Corp., WOW!'s wholly-owned subsidiary, is the parent company of the WOW! South Dakota companies. Knology CT is a rural incumbent local exchange company that provides telephone services in communities in southeastern South Dakota. Knology Plains is a competitive local exchange company that provides facilities-based voice, cable, and broadband Internet access services in Sioux Falls, South Dakota and other communities in eastern South Dakota, southwestern Minnesota, and Storm Lake, Iowa. Clarity is a newly formed telecommunications provider headquartered in Sikeston, Missouri. In its joint application, WOW! South Dakota and Clarity stated that they have entered into a purchase agreement that "provides that, contingent upon the receipt of certain regulatory and third party approvals, Clarity will purchase substantially all of the assets of Knology Plains, Knology Black Hills, Knology CT, and Knology SD used in the business of providing residential and commercial cable television series, local exchange services and interexchange services and high speed Internet services in South Dakota, Minnesota, and Iowa." The proposed sale affects a number of local telephone exchanges and includes the following communities: Alsen, Belle Fourche, rural Beresford, Black Hawk, Box Elder, Canton, Centerville, Central City, Chancellor, Colman, Davis, Deadwood, Elk Point, Flandreau, Flyger, Gayville, Harrisburg, Hurley, Irene, Lead, Lennox, Madison, Monroe, North Sioux City, Parker, Piedmont, Rapid City, Sioux Falls, Spearfish, St. Onge, Sturgis, Summerset, Tea, Vermillion, Viborg, Volin, Wakonda, Watertown, Whitewood, Worthing, and Yankton.

In addition to approval of the sale of the local telephone exchanges, Clarity requested that the certificates of authority held by the current WOW! South Dakota telephone companies be transferred

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<sup>1</sup> The companies that filed the joint application are collectively referred to as the "Applicants."

to Clarity. Clarity further requested that it be designated as an eligible telecommunications carrier (ETC) in the exchanges in which Knology CT and Knology Black Hills are currently designated. Knology CT and Knology Black Hills requested that the Commission approve the relinquishment of their ETC designations. The Applicants also requested approval of amendments to the access tariffs of Knology CT, Knology Black Hills, and Knology Plans to reflect that Clarity will be operating under the tariffs. The Applicants stated that they would submit revised tariff pages following approval of the transaction.

Pursuant to SDCL 49-31-59, notice of the proposed sale was given to the public by publication in newspapers in the counties in which exchanges to be sold provide service. One comment was received in response to the newspaper notices. The Applicants filed responses to Staff's data requests on August 21 and 29, 2014.

At its September 2, 2014, meeting, the Commission considered this matter. The Commission has jurisdiction over this matter pursuant to SDCL chapter 49-31, including SDCL 49-31-3, 49-31-59, 49-31-69, 49-31-70, 49-31-71, and 49-31-78. The Commission voted unanimously to approve the sale of the local telephone exchanges to Clarity. SDCL 49-31-59 sets forth the criteria for approval of the sale of local telephone exchanges. The statute requires the Commission to "consider the protection of the public interest, and to the extent applicable, 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 and commitment of the local exchange company to provide modern, state-of-the-art telecommunications services."

With respect to protection of the public interest, Clarity has committed to upgrading "the network infrastructure to significantly improve Internet speeds, enhance the quality of voice services for both residential and commercial customers, and offer new video products such as whole home DVR service." Clarity will provide a "President's Promise hotline in the event that customers are not completely satisfied or have unaddressed issues." Clarity states that it will provide "first class customer service" and plans to implement training and service programs. Clarity states that the transfer of assets will be a seamless change and that its focus will be solely upon the "operation and expansion of the networks located in South Dakota, Minnesota and Iowa." Regarding the adequacy of local service, Clarity states that it "will utilize a state-of-the-art computer system and an in-house customer service and marketing training program to ensure high-quality service and to smoothly assimilate newly acquired networks into the company's operations." Clarity states that it will provide "strong customer service orientation, through its dispatch system, allowing field personnel to operate systems in the most efficient manner while providing customer repairs in a timely manner." In addition, Clarity's operational headquarters will be relocated to South Dakota and customer calls will be handled in a call center located in Sioux Falls. With respect to local rates, Clarity states that there will be no change in rates for local telephone service resulting from the purchase. Regarding public safety, Clarity states that "WOW! South Dakota presently provides enhanced 911 services in all of their local telephone exchanges and Clarity will also provide enhanced 911 services in the exchanges." With respect to the payment of taxes, Clarity states that it "will be subject to the same methods of calculating and paying taxes to the State of South Dakota as those to which WOW! South Dakota is subject, and there will therefore be no reduction in tax revenues to the State of South Dakota resulting solely from the purchase and sale of the Exchanges." Regarding its ability and commitment to provide modern, state-of-the-art telecommunications services, Clarity states that it "plans to continue to invest in both the network's hybrid fiber-coax (HFC) architecture as well as in existing copper plant, and through these investments in system electronics it intends to double Internet access speeds available to subscribers. There will be no discontinuance, reduction, or impairment of any of the services presently offered by WOW! South Dakota in the Exchanges following the Purchase by Clarity."

After consideration of the criteria set forth in SDCL 49-31-59 and the record presented in this docket, the Commission finds that the Applicants have shown that the sale is in the public interest. Clarity has committed to upgrading the network infrastructure, providing first class customer service, and providing a seamless transition. Enhanced 911 services will continue to be provided, local rates will not increase as a result of the purchase, a reduction in the payment of taxes will not occur as a result of the sale of the exchanges, and Clarity has committed to providing modern, state-of-the-art telecommunications services.

At its September 2, 2014, meeting, the Commission also voted unanimously to approve the transfer of the local exchange and interexchange certificate of authorities currently held by Knology CT, Knology Plains, and Knology Black Hills to Clarity, subject to the filing of a bond by Clarity. The Commission finds that Clarity has met the legal requirements established for the transfer of the certificates of authority. Clarity has, in accordance with SDCL 49-31-3 and 49-31-71, demonstrated sufficient technical, financial, and managerial capabilities to offer telecommunications services in South Dakota. The Commission approves the request for a transfer of the certificates of authority, on the condition that Clarity be subject to a continuous \$25,000 surety bond.

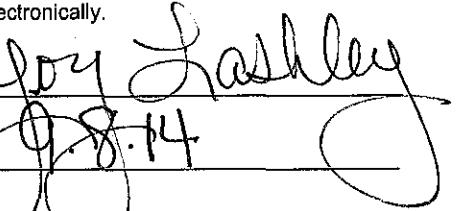
At its September 2, 2014, meeting, the Commission also considered Clarity's request for designation as an ETC in the exchanges in which Knology CT and Knology Black Hills are currently designated and Knology CT and Knology Black Hills' request that the Commission approve the relinquishment of their ETC designations. The Commission unanimously voted to defer action on those requests as the Applicants had not fully complied with the Commission's rules regarding those requests.

It is therefore

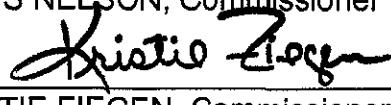
ORDERED, that the sale of exchanges by WOW! South Dakota to Clarity is approved; and it is further

ORDERED, that Clarity's application for a transfer of the certificates of authority to provide local exchange and interexchange services is granted, subject to a continuous \$25,000 surety bond.

Dated at Pierre, South Dakota, this 8<sup>th</sup> day of September, 2014.

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, electronically.	
By:	
Date:	9.8.14
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

  
GARY HANSON, Chairman  
  
CHRIS NELSON, Commissioner  
  
KRISTIE FIEGEN, Commissioner