

FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

OFFICE OF
MANAGING DIRECTOR

MAR 2 2001

86-285

Charles R. Naftalin
Rebecca Duke
Holland & Knight, L.L.P.
2099 Pennsylvania Avenue, N.W., Suite 100
Washington, DC 20006

RE: Blackduck Telephone Company and
Arvig Telephone Company Request for
Waiver of Study Area Application Fee
Fee Control No. 0102078140213001

Dear Mr. Naftalin and Ms. Duke:

This is in response to your request filed on behalf of Blackduck Telephone Company (Blackduck) and Arvig Telephone Company (Arvig) for waiver of the \$6,220 filing fee required with their request for waiver of the definition of a study area set forth in Part 36 of the Commission's rules and other related requirements.

You state that Arvig has agreed to transfer the Ash River exchange, a service territory that includes 116 access lines, to Blackduck. You contend that a waiver of the filing fee in this instance is in the public interest because the fee is significantly disproportionate to the number of access lines involved and the transaction price. You further state that the fee is burdensome to Arvig and Blackduck, which are small, rural local exchange carriers, and, ultimately, their subscribers.

We have fully considered all of your contentions. The fee requirement for waiver of the accounting rules was established by the Schedule of Fees contained in the Omnibus Budget Act of 1989, Pub. L. No. 101-239, 103 Stat. 2106. *See Conference Report To Accompany H.R. No. 386, 101st Cong., 1st Sess. 20-28 (1989); reprinted in the Congressional Record of Nov. 21, 1989 at page H9333 (Conference Report).* Congress determined that the fees "represent a fair approximation of how the Commission's costs should be distributed." *Conference Report* at 433. The Commission also has stated that:

there will be individual situations in which the actual cost may be more or less [than the required application fee]. It is not our intention to make individualized determinations of the 'appropriate fee.' Rather, except in unusual cases in which the public interest requires otherwise, we will levy the fee as determined by Congress.

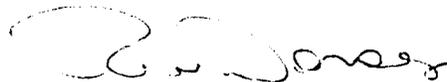
Establishment of a Fee Collection Program To Implement the Omnibus Budget Act of 1989, 3 FCC Rcd 5987 (1988) (*Fee Collection Order*). The current fee amount of \$6,220 was established by the Commission in accordance with section 8(b) of the Act, which requires the Commission to review the Schedule of Fees every two years after October 1, 1991, and adjust them to reflect changes in the Consumer Price Index. See *Amendment of the Schedule of Application Fees Set Forth in Sections 1.1102 Through 1.1107 of the Commission's Rules*, Gen. Docket No. 86-285, Order, 13 FCC Rcd 13,614 (1998); *Id.*, 15 FCC Rcd 17,615 (2000). Moreover, the Commission has affirmed that the prescribed fee applies to a petition for waiver of any Part 36 accounting rule. See *Establishment of a Fee Collection Program To Implement the Omnibus Budget Act of 1989*, 5 FCC Rcd 3558 (1990), *recon. in part*, 6 FCC Rcd 5919, 5924 (1991).

Although the Commission has discretion to "waive ... payment of charges in any specific instance for good cause shown, where such action would promote the public interest," 47 U.S.C. § 158(d)(2); see also 47 C.F.R. § 1.1117(a), this waiver authority is construed narrowly. See *Fee Decisions of the Managing Director*, 7 FCC Rcd 4708, 4718 (1992); *Fee Collection Order*; *Establishment of a Fee Collection Program To Implement the Omnibus Budget Act of 1989*, 2 FCC Rcd 947 (citing *Conference Report* at 423).

We deny your request for waiver of the filing fee. The Commission incurs costs in processing an application for study area waiver regardless of the size or price of the underlying transaction. The evidence you submitted, moreover, fails to establish that the fee constitutes an undue burden on Arvig or Blackduck. The Commission recognizes that in certain instances the payment of required fees may impose financial hardship and has waived fees where "a compelling case of financial hardship" is shown. Cf. *Implementation of Section 9 of the Communications Act*, 9 FCC Rcd 5333, 5346 (1994), *recon. granted*, 10 FCC Rcd 12759 (1995). Merely the small size of a telephone company's subscribership, however, does not constitute a sufficient basis for grant of a fee waiver. To establish a compelling case of financial hardship, a more detailed showing is required. To this end, you may submit information such as a balance sheet, a profit and loss statement (audited, if available), a cash flow projection (with an explanation of how it was calculated, and with and without the receipt of anticipated USF support), a list of officers and their individual compensation, together with a list of the highest paid employees and the amount of their compensation, or similar information.

We therefore deny your request for waiver without prejudice. If you have any questions concerning this letter, please contact the Revenue and Receivables Operations Group at (202) 418-1995.

Sincerely,



Mark A. Reger
Chief Financial Officer

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
BLACKDUCK TELEPHONE COMPANY)	
and)	
ARVIG TELEPHONE COMPANY)	File No. _____
)	
Joint Petition for Waiver of the Definition)	
Of "Study Area" Contained in Part 36)	
Appendix-Glossary of the Commission's)	
Rules and Related Waiver of Section 54.305)	
of the Commission's Rules)	
)	
)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	

JOINT PETITION FOR WAIVER OF FILING FEE

Arvig Telephone Company ("Arvig") and Blackduck Telephone Company ("Blackduck"), (collectively, "Petitioners"), by their attorneys, hereby submit this Joint Petition for Waiver of Filing Fee, requesting waiver of the required filing fee associated with the Joint Petition for Waiver, filed concurrently, in which the Petitioners request waiver of the definition of "Study Area" and waiver of Section 54.305 of the Commission's rules.

Arvig and Blackduck are small, rural local exchange carriers operating in northern Minnesota. As described in their request for waiver, Arvig transferred the Ash River exchange in remote, northern Minnesota to Blackduck, and, accordingly, seeks amendment of study areas. The Ash River exchange includes 116 access lines

encompassing approximately 800 square miles. The gross, unadjusted purchase price of the Ash River exchange was \$350,000.00.

The filing fee for any study area waiver is \$6,220.00. 47 C.F.R. § 1.1105(5)(d). That fee is required under the Commission's Rules without regard to the size of the transaction or the nature of the petitioners. In many instances, the filing fee is *de minimis* in comparison to the transaction which necessitates it, *i.e.*, hundreds of thousands of access lines, or the size of the LECs seeking the waiver. Such factors do not apply to Arvig and Blackduck.

The instant filing fee is an unwarranted burden on Arvig and Blackduck, and ultimately, their subscribers. This fee represents a cost of \$53.60 per access line, an amount which is approximately fifteen times the amount of the current, monthly federal subscriber line charge applied to access lines. In comparison, this fee represents a cost of about one cent per line if applied against an urban exchange of 500,000 access lines. Similarly, this fee equates to two percent of the gross purchase price of the Ash River exchange. That percentage will increase if adjustments reduce the purchase price. Clearly, in this instance, the filing fee is disproportionately burdensome to these LECs.

Arvig and Blackduck submit that this filing fee should be waived pursuant to § 1.1117(a) of the Commission's Rules. Such a waiver of the filing fee would serve the public interest in support of universal service and the provision of service to subscribers in rural areas.

Therefore, the instant waiver should be granted, a check in the amount of \$6,220.00 issued to Blackduck Telephone Company and delivered to the undersigned counsel as soon as practicable.

Respectfully submitted,

BLACKDUCK TELEPHONE COMPANY
ARVIG TELEPHONE COMPANY

By: 

Charles R. Naftalin
Rebecca Duke
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2099 Pennsylvania Avenue, N.W.
Suite 100
Washington, DC 20006
(202) 955-3000

February 6, 2001

Their Attorneys

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
BLACKDUCK TELEPHONE COMPANY)
 and)
ARVIG TELEPHONE COMPANY) File No. _____
)
Joint Petition for Waiver of the Definition)
of "Study Area" Contained in Part 36,)
Appendix-Glossary of the Commission's)
Rules and Related Waiver of Section 54.305)
Of the Commission's Rules)

Federal-State Joint Board on) CC Docket No. 96-45
Universal Service)
)

JOINT PETITION FOR WAIVER

Blackduck Telephone Company ("Blackduck") and Arvig Telephone Company ("Arvig") (collectively "Petitioners"), by their attorneys, hereby submit this Joint Petition for Waiver, requesting waiver of the definition of "Study Area" contained in Part 36 of the Commission's rules as a consequence of the sale of a single exchange, the Ash River exchange in Minnesota, by Arvig to Blackduck. In addition, Petitioners seek a related waiver of Section 54.305 of the Commission's rules in order to temporarily raise the cap on universal service support. ¹

These requests are necessary to further service to rural customers of small local exchange carriers ("LECs"). The Ash River exchange includes 116 access lines

¹ Petitioners also are contemporaneously filing a Joint Petition for Waiver of Filing Fee, seeking a return of the \$6,220.00 filing fee associated with the filing of the "study area" waiver request in this Petition.

in rural, northern Minnesota, bordering Canada. (See Attachment 1 hereto) After transfer of the exchange, Arvig operates approximately 12,300 access lines and Blackduck operates approximately 1,604 access lines. Blackduck and Arvig are both rural LECs that participate in the NECA pool settlement process on a cost basis. The Ash River exchange encompasses approximately 800 square miles, representing a density of only 0.145 access lines per square mile.

I. WAIVER OF STUDY AREA BOUNDARIES

When evaluating petitions for waiver of the rule freezing study area boundaries, the Commission considers whether: (1) the change adversely affects the Universal Service Fund ("USF"), (2) a state commission with jurisdiction over the relevant exchanges objects to the transfer, and (3) the transfer is in the public interest. *In the Matter of Kendall Telephone, Inc and Wisconsin Bell, Inc.*, 13 FCC Rcd 17739, 17742 (CCB 1998), *citations omitted*.² As shown below, grant of this request will not adversely affect the USF support program, the underlying transaction has been approved by Minnesota Public Utilities Commission ("MPUC"), and grant of the Petition promotes the public interest in preserving and advancing service in rural areas.

Both Petitioners are small, rural local exchange carriers seeking a waiver permitting Blackduck to consolidate the Ash River exchange into its existing Minnesota study area and for Arvig to reduce its Minnesota study area accordingly. Petitioners submit that this waiver should be granted based upon the Commission's established guidelines.

A. There Will Be No Adverse Effects on the Universal Service Fund

Blackduck intends to include the Ash River exchange in its existing Minnesota study area, and not create a new study area. Attachment 1 hereto contains maps showing: the service area of the Ash River exchange, the pre-transfer study area boundaries of Arvig and Blackduck in Minnesota, and the post-transfer study area boundaries of Arvig and Blackduck in Minnesota.

Removal of the Ash River exchange from Arvig's study area would reduce interstate high cost loop, long term annual and local switching support received by Arvig by a projected annual amount of \$56,892, with Blackduck being eligible to receive annual support for the Ash River exchange of only \$26,465 if such support is capped under Section 54.305 of the Commission's Rules. This represents a net annual decrease of \$30,427. Without capping, Blackduck estimates that the addition of the Ash River exchange would increase its annual interstate high cost support by \$61,689. If compared to the capped amount, Blackduck would suffer an annual support shortfall of \$35,224 (*i.e.* \$61,689-\$26,465).

The Petitioners' request to waive Section 54.305 of the Commission's rules and permit Blackduck to recover this tiny annual increase of \$4,797 is contained in Section II hereto.

² See also Public Notice, 10 FCC Rcd 13228 (1995).

The Blackduck and Arvig support data are shown in detail in the following chart:

BLACKDUCK	Pre-sale	Ash River	Post-sale
1999 Support	\$369,539	\$61,689	\$431,228
Per Line	\$236.13	\$531.80	\$256.53
ARVIG			
1999 Support	\$2,756,006	\$(56,892)	\$2,699,114
Per Line	\$228.15	\$(490.45)	\$225.60
1999 Total	\$3,125,545	\$(4,797)	\$3,130,342

Attachment 2 hereto provides Part 36 pre-sale and estimated post-sale revenue requirements and supporting balances for the Ash River exchange. Also provided are pre-sale and estimated post-sale Part 69 data. Historically, the Ash River exchange has been accounted for as part of Arvig's study area and has not been treated separately. Neither Blackduck nor Arvig maintains accounting records disaggregated by individual exchange. Therefore, Blackduck will apply its historic study area factors to the Ash River exchange and not adopt the data of Arvig.

In the event the instant study area waiver request is not granted, Blackduck will be forced to incur accounting costs that are disproportionate to the size of the Ash River exchange and this transaction. As noted above, Blackduck and Arvig do not maintain accounting records for their individual exchanges; rather, records are

kept for their entire study areas. Without a study area waiver, Blackduck would have to keep separate records for the Ash River exchange, causing it irregularities and burdensome costs. For example, if separate treatment of the Ash River exchange cost \$10,000 annually in accounting and administrative expenses, this represents an annual burden of more than \$86.00 per line. The Commission should take all steps available to avoid unnecessary administrative burdens to a small rural LEC such as Blackduck.

B. The Minnesota Commission Has No Objection to the Study Area Waiver

The sale of the Ash River exchange has been approved in a decision of the MPUC, a copy of which is appended hereto as Attachment 3. In its decision of November 19, 1997, MPUC approved the sale of the exchange by Arvig to Blackduck, including all of the assets, authorizations and services associated with the exchange. In addition, MPUC stated that it does not object to the grant by the Commission of study area waivers, consistent with this Joint Petition. MPUC has not required any specific facilities upgrades or service extensions as a result of its decision.

C. The Study Area Waiver Will Serve the Public Interest

As part of its acquisition, Blackduck contemplates significant improvements to the Ash River exchange. The anticipated improvements include: (1) switch upgrades to provide equal access and a full array of custom calling services along with Caller ID; (2) upgrade of microwave connections; (3) building refurbishment or replacement; and (4) line expansions. All of these upgrades will improve service to

customers as well as add to the array of switching services to which customers are able to subscribe.³

Through the provision of a new switching platform and related technology upgrades, Ash River subscribers will receive improved customer service and new service offerings. These improvements are particularly critical because Ash River is isolated in rural northern Minnesota (See Attachment 1 hereto), where severe winter conditions make reliable service especially important and impede repairs if failures occur. In addition, as Attachment 1 makes clear, the Ash River exchange is closer to Blackduck's existing service area than to that of Arvig, making central administration and repair services more efficient.⁴

II. WAIVER OF SECTION 54.305

Petitioners request a limited waiver of Section 54.305 of the Commission's rules so that Blackduck, after acquiring the Ash River exchange, will continue to receive the per-line level of universal service support that Arvig received for the lines prior to the transfer, plus a tiny increase which would result from inclusion of the Ash River exchange in Blackduck's study area if support is not capped artificially. As shown below, permitting this requested net increase in support would serve the public interest, would be entirely *de minimis*, and consistent with the Commission's relevant decisions and policies.

³ Investments by Blackduck to accomplish these upgrades are estimated to be: Switch upgrade, \$100,000; upgrade of microwave, \$50,000; building refurbishment, \$20,000; and line expansion, \$15,000.

⁴ The Ash River area is a drive of approximately five hours from Arvig's operating headquarters but is only 70 miles from Blackduck's headquarters.

Section 54.305 of the Commission's Rules would cap the amount of USF support available to Blackduck for the Ash River exchange at \$26,465 annually.⁵ This is in comparison to the anomalous situation that Arvig would reduce its USF annual compensation by a projected annual amount of \$56,892 after divestiture of the Ash River. This is a function of the differences in costs per line of the two LECs' study areas.

A. The Increase in Universal Service Support Would Be *De Minimis*.

Pursuant to Section 1.3 of the Commission's Rules, Petitioners request that the Commission waive Section 54.305 of the Commission's Rules for the period leading up to January 1, 2000⁶, and allow Blackduck to receive support for the Ash River exchange on an uncapped basis though ordinary inclusion of the Ash River exchange in its Minnesota study area. If the reduction of cost support for the Ash River exchange for Arvig is netted against the increase in support if included in the Blackduck study area uncapped, then the aggregate increase in USF support only would be an estimated \$4,797 annually (the difference between the \$56,892 reduction in support to Arvig as compared to the \$61,689 increase to Blackduck). On this basis, the Petitioners urge the Commission to waive the cap and allow this infinitesimal USF increase to take place, an amount which is truly *de minimis*.

⁵ See pages 3-4, *supra*.

⁶ We note that the Commission has removed all caps on high-cost loop support imposed as part of the grant of study area waivers, effective as of January 1, 2000. Accordingly, Petitioners need not request the removal of their caps on high-cost loop support from that date forward. See *Petitions for Waiver Concerning the Definition of "Study Area" Contained in Part 36 Appendix-Glossary of the Commission's Rules*, Order, DA 00-1761 (CCB Aug. 4, 2000); See also *Petitions for Waiver and Reconsideration Concerning Sections 36.611, 36.612, 61.41(c)(2), 69.605(c), 69.3(e)(11) and the Definition of "Study Area" Contained in Part 36 Appendix-Glossary of the Commission's Rules Filed*

Recent Commission action establishes conclusively that an addition of \$4,797 in support is *de minimis*. Last month, the Commission granted a request for waiver of § 54.305. In that decision, the Commission approved an estimated increase in annual support of \$1,790,000. *In the Matter of Mescalero Apache Telecom, Inc., Waiver of Section 54.305 of the Commission's Rules, Order*, CC Docket No. 96-45 (rel. January 18, 2001). Arvig and Blackduck seek less than three percent of the increased support approved by the Commission a few days ago.⁷

B. The Waiver Would Be Consistent With FCC Policies and Goals.

This waiver is consistent with the Commission's policies behind its 1984 decision to freeze study area boundaries and its capping of per-line support in Section 54.305. In connection with amendments to study area boundaries, the Commission explained that:

Consistent with the reasons for the 1984 study area freeze, the Commission has been concerned from the beginning about the potential adverse impact of waivers on the high cost loop support mechanism. This was an important concern in acquisitions because, when a low-cost carrier sold a high-cost exchange, the acquiring carrier could substantially increase its high cost loop support by including the new exchange in its study area, without a corresponding reduction in the low-cost carrier's support. This concern was heightened in the early 1990's when large, low-cost, incumbent LECs began to sell substantial numbers of high-cost exchanges to smaller incumbent LECs. *In the Matters of Petitions for Waiver and Reconsideration Concerning Sections 36.611, 36.612, 61.41(c)(2), 69.605(c), 69.3(e)(11) and the Definition of "Study Area" Contained in Part 36 Appendix-Glossary of the Commission's*

by Copper Valley Telephone, Inc. et al., Memorandum Opinion and Order and Order on Reconsideration, DA 99-1845 (CCB Sept. 9, 1999).

⁷ Blackduck does not intend to request permission to record amortization of amounts in Account 32.2005, telecommunications plant adjustments. Currently under Arvig ownership, the 1996 interstate ratio of weighted dial equipment minutes at 2.5 for the Ash River exchange is 0.74447 with a subscriber plant factor of 0.25. Blackduck's 1996 interstate ratio of weighted dial equipment minutes at 3.0 is 0.593129 and after inclusion of Ash River would become 0.62358 with a subscriber plant factor of 0.25.

Rules Filed by Copper Valley Telephone, Inc., et. al., Memorandum Opinion and Order on Reconsideration, DA 99-1845 (CCB September 9, 1999) ("Order"), para. 4 (footnotes omitted).

As noted above, Petitioners are both small rural LECs. Arvig has approximately 12,000 lines and Blackduck fewer than 2,000 even after acquisition of Ash River. The instant transaction would include support reductions substantially comparable to the requested increase and does not present the case of a "low cost" LEC selling an exchange to a "high cost" LEC.

C. The Waiver Would Fall Within the One-Percent Guideline for Shift of Universal Service Funds.

Not only is the waiver sought here *de minimis* in absolute terms, and under Commission precedent, it would have no harmful effect on the USF mechanism. The Commission has applied a "one-percent" guideline to USF support changes, as follows:

In evaluating whether a study area change would have an adverse impact on the distribution or level of the universal service fund ("USF"), the Commission has applied a "one-percent" guideline to study area waivers filed after January 5, 1995. Under this guideline, no study area waiver is granted if it would result in an annual aggregate shift in USF assistance in an amount equal to or greater than one percent of the total USF, unless the parties can demonstrate extraordinary public interest benefit. To prevent carriers from evading this limitation by disaggregating a single large scale of exchanges into a series of smaller transactions that in the aggregate have the same effect on the USF, the Commission has further required that the "one-percent" guideline be applied to all exchange transfers where either carrier has been a party as a purchaser or seller and where a study area waiver request was submitted and granted within the previous twelve months. *Order, para. 9, note 21, citations omitted.*

Arvig and Blackduck only have one sale to consider and the scope of the increase in per-line support falls far below the one-percent guideline. The requested annual increase in support for the Ash River exchange following the transaction,

estimated to be \$4,797, represents less than 0.0003% of the anticipated amount the Universal Service Administrative Company may collect for high cost support in 1999.⁸ The effect of the increase would be inconsequential, and in any event, far less than one-percent of USF.⁹

D. The Waiver Would Further the FCC's Public Interest Goals and Serve the Citizens of Northern Minnesota.

Blackduck and Arvig are small rural carriers that already receive universal service support. Neither carrier should be considered to be "shopping" for increased universal service support. Blackduck is continuing universal service support already in effect for the Ash River exchange, and not attempting to qualify it for USF support for the first time as a result of the purchase. Harmonizing support for the Ash River exchange with Blackduck's actual costs and operations would be rational and consistent with the public interest goals of USF, to ensure the provision of universal service to rural customers.

The *de minimis* increase in support for the Ash River exchange would help Blackduck accomplish several improvements for the benefit of customers who rely

⁸ This figure was calculated by multiplying the amount the Universal Service Administrative Company is authorized to collect for the first quarter of 1999 for high cost support (\$440,400,000) by four. See *FCC Public Notice*, FCC 98-318 (released Dec. 4, 1998) (containing projected total program costs and contribution factors for the first quarter of 1999 for the universal service funds). The resulting figure (\$1,761,600,000) is then an estimate of the size of the high cost fund for 1999. The projected increase in high cost support to Blackduck for the Ash River exchange (\$4,797) in 1999 is less than 0.0003% of the projected payments for high cost support in 1999.

⁹ The waiver of § 54.305 granted last month in the *Mescalero Apache Telecom, Inc.* decision, *supra.*, the projection for uncapped high-cost loop support was two-tenths of one percent (.2%) of the high-cost loop support fund for the calendar year 2001, a vast multiple of what is sought by Arvig and Blackduck.

on that exchange.¹⁰ All of Blackduck's planned improvements will enhance service to customers as well as add to the array of switching services to which customers may subscribe.¹¹ Recently, in granting waivers of the per-line support cap, the Commission stated:

In addition, we believe that lifting the caps on petitioners' high cost support may increase their incentive and ability to extend service to previously unserved areas and upgrade their networks. *Order*, para. 10 (footnotes omitted).

Petitioners here submit that the same incentives apply to Blackduck and its intended improvements to the Ash River exchange.

The purpose of Section 54.305 of the Rules is "to discourage carriers from placing unreasonable reliance upon potential universal service support in deciding whether to purchase exchanges from other carriers" *Universal Service Order*, 12 FCC Rcd 8776, 8942-43 (1997). While Blackduck seeks to use additional support in order to improve service to customers in the Ash River exchange, the small potential increase in support to Blackduck should not be considered a significant factor in the company's decision to acquire the exchange.

Finally, the requested increase in support for is for a circumscribed period. As noted above, the Commission has lifted the cap prospectively from January 1, 2000, so the relief sought here is small and closed.

¹⁰ These improvements, set forth previously herein, include (1) switch upgrades to provide equal access and a full array of custom calling services along with Caller ID; (2) upgrade of microwave connections; (3) building refurbishment or replacement; and (4) line expansions.

¹¹ As stated, Blackduck serves an isolated area of Northern Minnesota, where the isolation and extreme winter weather make telecommunications and improved services vitally important. As in the FCC's grant of the request for waiver for Mescalero Apache Telecom, Inc., waiver of § 54.305 for Blackduck will increase access to telecommunications services, advancing the public interest. *See In the Matter of Mescalero Apache Telecom, Inc., Waiver of Section 54.305 of the Commission's Rules, Order*, CC Docket No. 96-45 (rel. January 18, 2001).

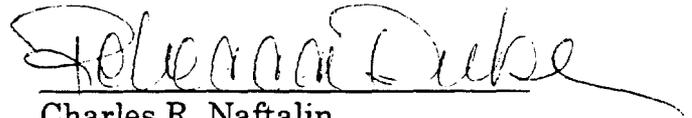
III. CONCLUSION

For the foregoing reasons, the Petitioners request that the Commission grant the universal service support cap waiver request and the study area waiver request made herein.

Respectfully submitted,

BLACKDUCK TELEPHONE COMPANY
ARVIG TELEPHONE COMPANY

By:



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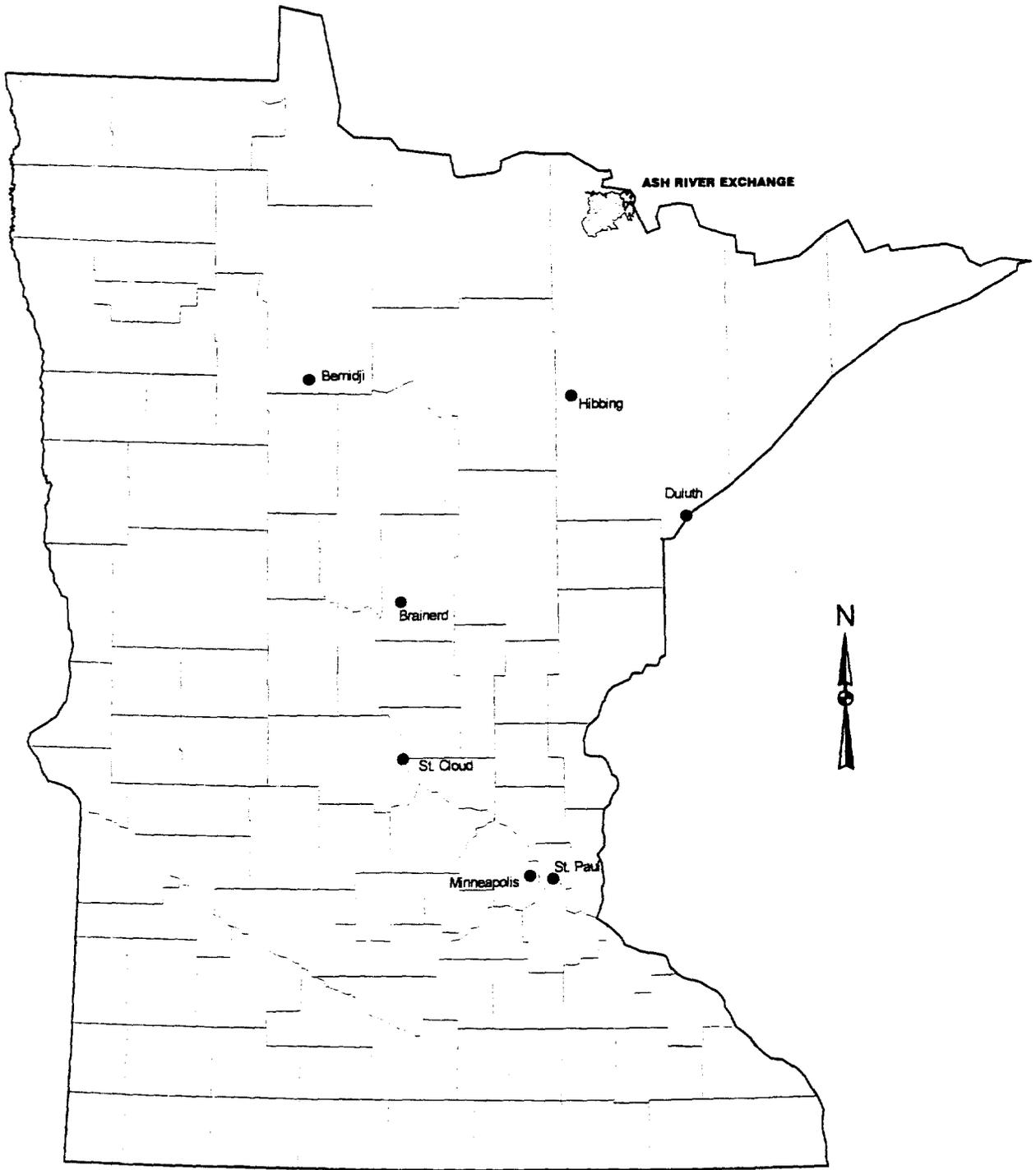
February 6, 2001

Their Attorneys

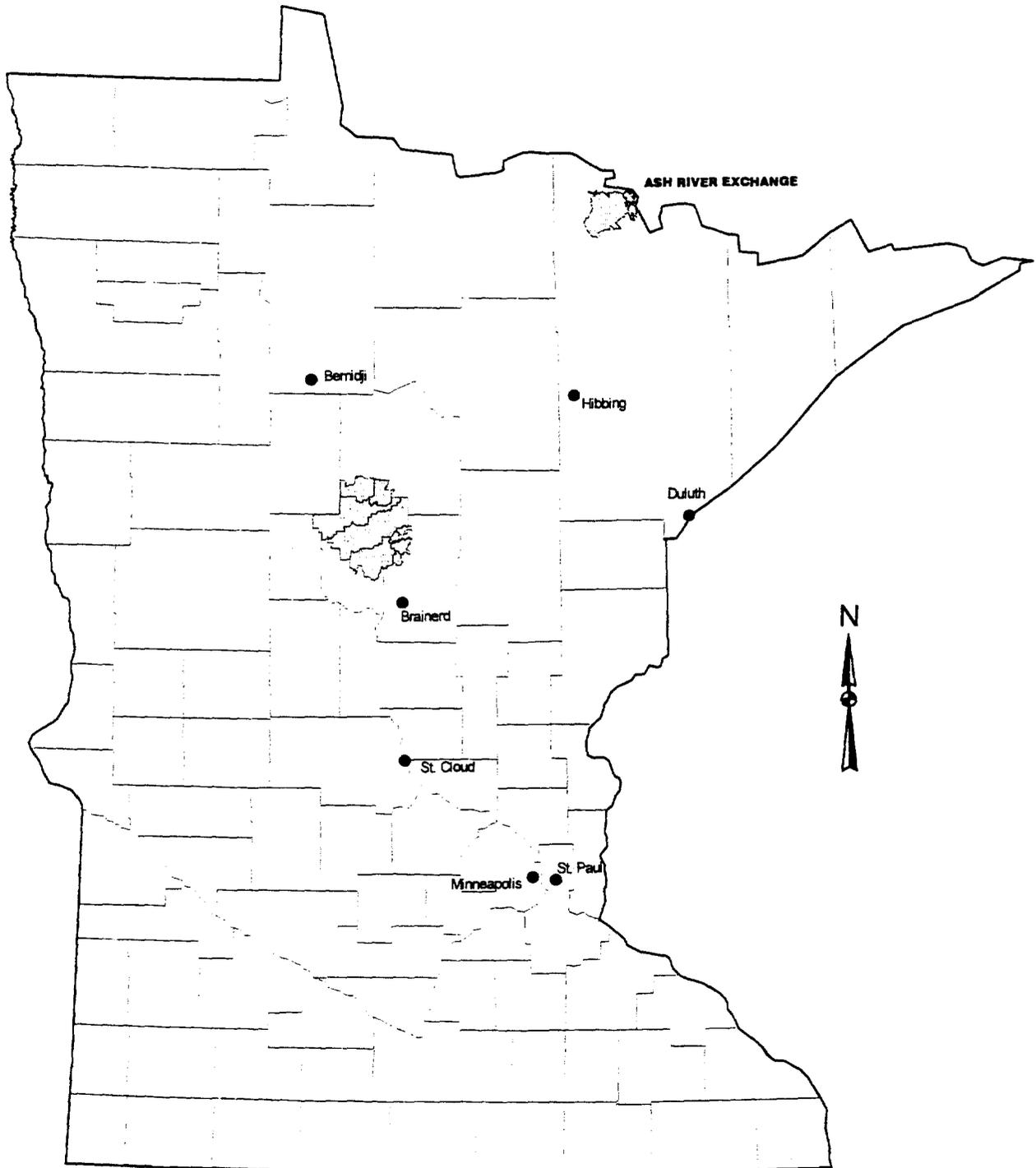
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ATTACHMENT 1

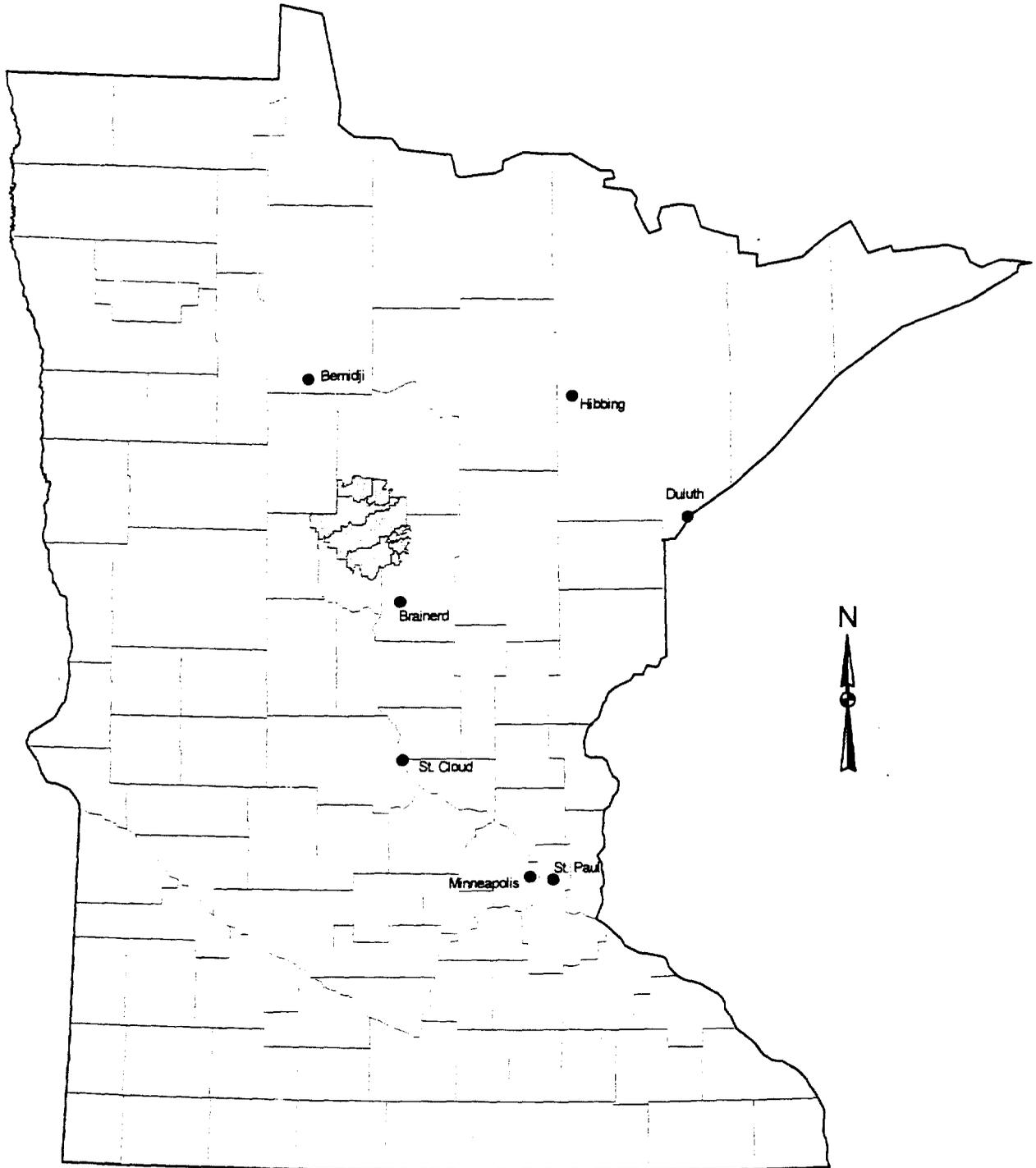
Arvig Telephone Company Ash River Exchange Only



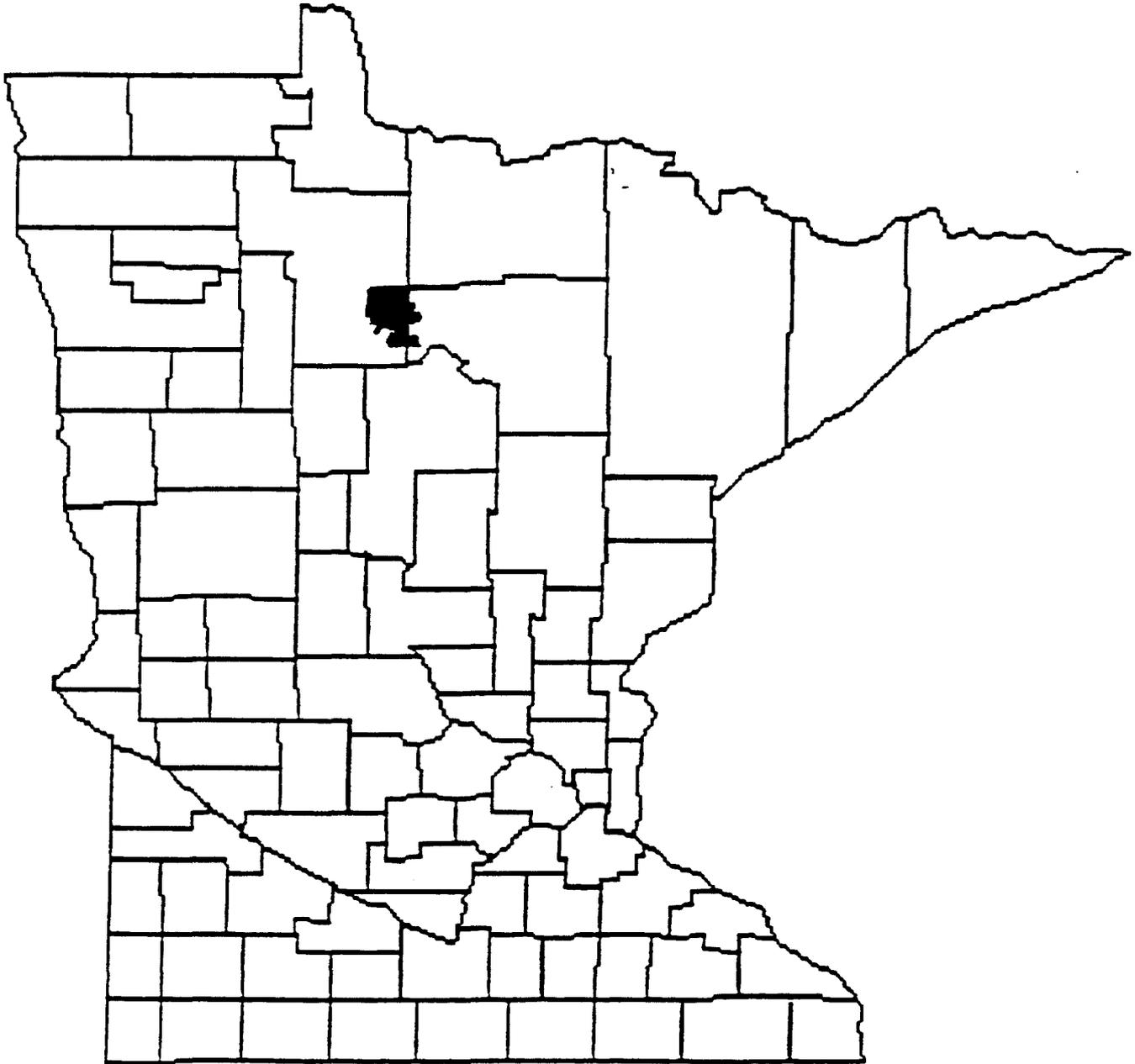
Arvig Telephone Company Including Ash River Exchange



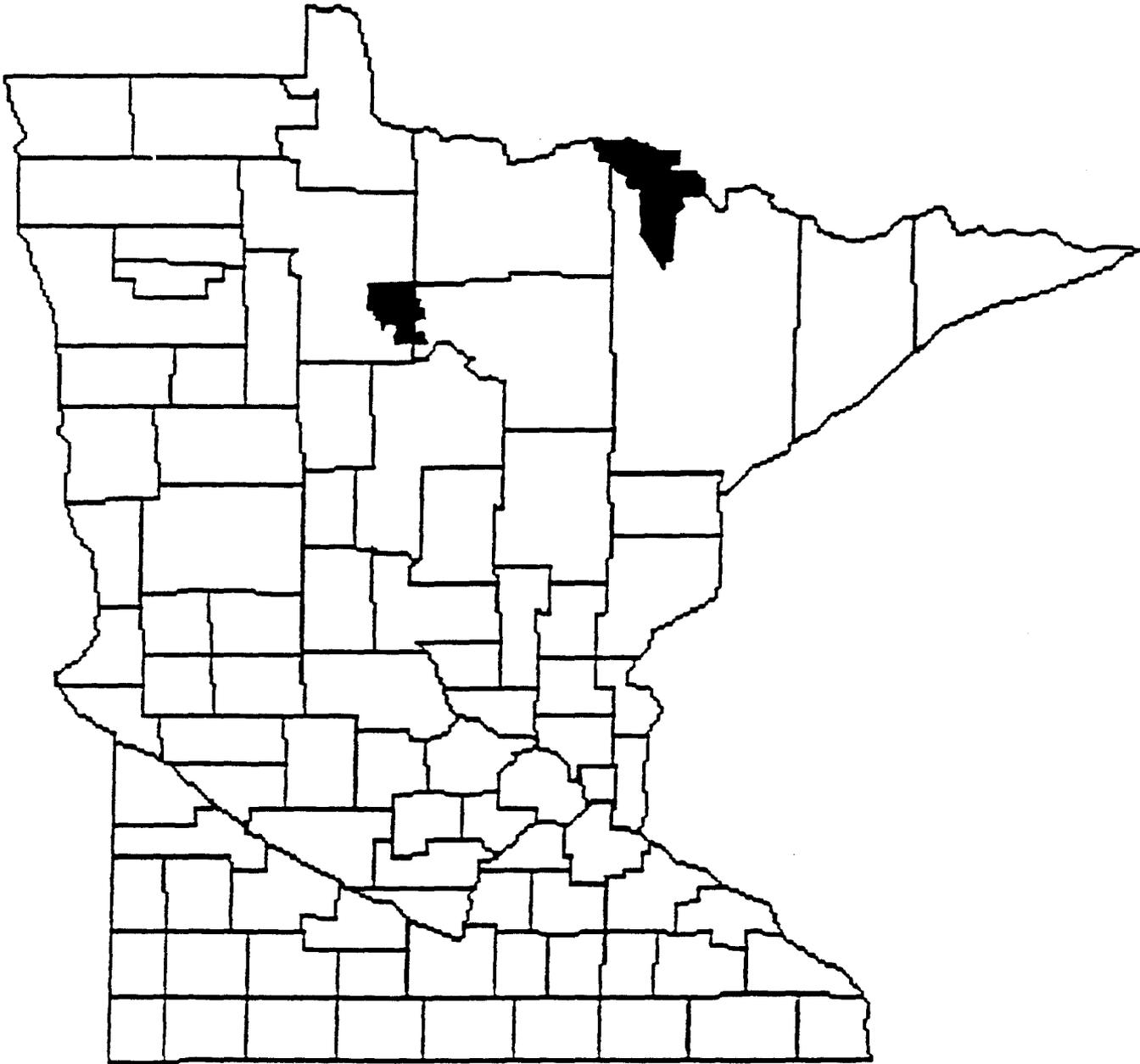
Arvig Telephone Company Excluding Ash River Exchange



Blackduck Telephone Company
Before the Ash River Acquisition



Blackduck Telephone Company
After the Ash River Acquisition



ATTACHMENT 2

ATTACHMENT 3

JUN 14 1999

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey	Chair
Joel Jacobs	Commissioner
Marshall Johnson	Commissioner
Gregory G. Scott	Commissioner
Don Storm	Commissioner

Service Date: NOV 19 1997
Docket No. P402,505/PA-97-1462

To: M. Cecilia Ray	Phillip L. Kunkel
Richard Johnson	Hall & Byers
Moss & Barnett	First Bank Place
4800 Norwest Center	1010 West St. Germain, Suite 600
90 South Seventh Street	St. Cloud, Minnesota 56301
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Herbert Lien	Ronald D. Nelson
Blackduck Telephone Company	Arvig Telephone Company
50 Margaret Avenue East	101 Main Street
PO Box 325	PO Box 395
Blackduck, Minnesota 56630-0325	Pequot Lakes, Minnesota 56472

In the matter of the joint petition of Blackduck Telephone Company and Arvig Telephone Company to transfer to Blackduck all the assets and authorizations of Arvig used to provide local exchange telephone service in the Ash River, Minnesota exchange, and for a statement that the Commission does not object to the FCC granting study area waivers to allow the resulting modification of the study areas of Blackduck and Arvig.

The above entitled matter has been considered by the Commission and the following disposition made:

1. **Approved the transfer to Blackduck of all the assets and authorizations of Arvig used to provide local exchange telephone service in the Ash River, Minnesota exchange, and**
2. **the Commission does not object to the FCC granting the study area waivers necessary for the proposed sale to proceed.**

The Petitioners are filing a petition with the Federal Communications Commission (FCC) which will include a request for study area waivers allowing (1) Arvig to delete the Ash River exchange from its study area, and (2) either an amended study area or a new study area for the Ash River exchange by Blackduck. The FCC stated in an Order (DA 95-1403 released June 21, 1995) that such a petition will not be accepted unless the state Regulatory Commission has stated that it does not object to changes in study area boundaries. Consequently, the Petitioners request a statement in the Commission's order that the Commission does not object to the FCC granting study area waivers.

PUBLIC INTEREST

Blackduck will provide local telephone service to the customers of Arvig in the Ash River exchange and will honor all valid agreements and commitments of Arvig pertaining to those telephone operations, including relationships with customers, suppliers and others having business dealings with Arvig. The Arvig customers will continue to pay for local service at rates established under the tariffs for Arvig currently on file with the Commission. Blackduck's rates for access services will be adjusted to reflect the proportions of usage and relative access rates applicable to Blackduck's current operations and to the Ash River operations.

The Ash River exchange is located in the northeast quadrant of Minnesota and borders the Voyager National Park. Arvig's reason for selling the Ash River exchange is based upon operational efficiencies. Although it has an installation/repair person in the area, the Arvig Telephone Company headquarters are located in Pequot Lakes, Minnesota, a five hour drive to Ash River. All central office, microwave and radio repair work is dispatched out of Pequot Lakes. It is very difficult for Arvig to provide timely central office support services for its Ash River customers.

Blackduck's operating territory is located in Beltrami and Itasca Counties, approximately 100 miles from the Ash River exchange, which is located in St. Louis County, along the Minnesota-Canada border. Blackduck appears to be better situated to service the customers located in the Ash River exchange.

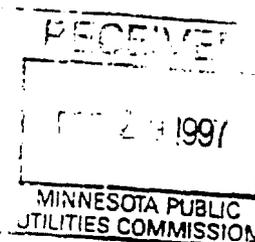
FINANCIAL CONDITION OF THE PARTIES

Blackduck had total company revenues of \$1.4 million in 1996. Its net operating income was \$239,000, which results in a return on equity (ROE) of 41 percent. When these results are allocated to its intrastate operations, intrastate ROE is 14 percent. Blackduck had \$2.4 million in long-term debt and \$2.1 million in stockholder equity at December 31, 1996.

*****PROPRIETARY*****



MINNESOTA
DEPARTMENT OF
PUBLIC SERVICE



October 28, 1997

PUBLIC COPY

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 7th Place East
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Public Service**
Docket No. P402,505/PA-97-1462

Dear Mr. Haar:

Attached are the comments of the Department of Public Service in the following matter:

The joint petition of Blackduck Telephone Company and Arvig Telephone Company to transfer to Blackduck all the assets and authorizations of Arvig used to provide local exchange telephone service in the Ash River, Minnesota exchange, and for a statement that the Commission does not object to the FCC granting study area waivers to allow the resulting modification of the study areas of Blackduck and Arvig.

The petition was filed on October 1, 1997. The petitioners are:

M. Cecilia Ray
Richard Johnson
Moss & Barnett
4800 Norwest Center
90 South Seventh Street
Minneapolis, Minnesota 55402-4129

Phillip L. Kunkel
Hall & Byers
First Bank Place
1010 West St. Germain, Suite 600
St. Cloud, Minnesota 56301

Herbert Lien
Blackduck Telephone Company
50 Margaret Avenue East
PO Box 325
Blackduck, Minnesota 56630-0325

Ronald D. Nelson
Arvig Telephone Company
101 Main Street
PO Box 395
Pequot Lakes, Minnesota 56472



Burl W. Haar
October 28, 1997
Page Two

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The Department recommends approval and is available to answer any questions the Commission may have.

Sincerely,

A handwritten signature in cursive script that reads "Bruce L. Linscheid".

BRUCE L. LINSCHIED
FINANCIAL ANALYST

BLL/sm
Attachment



MINNESOTA
DEPARTMENT OF
PUBLIC SERVICE

PUBLIC COPY

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF PUBLIC SERVICE

DOCKET NO. P402,505/PA-97-1462

COMPANY PROPOSAL AND DEPARTMENT ANALYSIS

THE PARTIES

Blackduck Telephone Company (Blackduck) is a Minnesota "independent telephone company" within the meaning of Minn. Stat. § 237.01, subd. 3. Blackduck has provided local telephone services in Minnesota since 1985, and it currently serves one exchange with 1,307 access lines. It has one subsidiary, Blackduck Cablevision Incorporated, which provides cable television service in Blackduck, Minnesota.

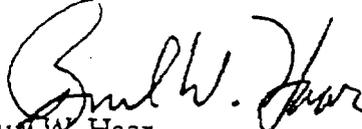
Arvig Telephone Company (Arvig) is a wholly-owned operating subsidiary of TDS Telecom, Inc. and is an independent telephone company within the meaning of Minn. Stat. § 237.01, subd. 3. Arvig has provided local telephone services in Minnesota since 1909, and it currently services eight Minnesota exchanges with a total of approximately 12,000 access lines.

THE PROPOSED TRANSACTION

Blackduck and Arvig, the Petitioners, intend to transfer to Blackduck all of the assets and authorizations used by Arvig to provide local exchange telephone service in the Ash River, Minnesota exchange. Arvig will continue to provide local exchange telephone service in its seven remaining exchanges in Minnesota, and Blackduck will provide local exchange telephone service to the customers of the Ash River exchange. The proposed transfer is subject to the receipt of all required regulatory approvals, including the approval of this Commission.

The Commission agrees with and adopts the recommendations of the Department of Public Service which are attached and hereby incorporated in this Order.

BY ORDER OF THE COMMISSION


Buf W. Haar
Executive Secretary

(SEAL)

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The acquisition of the Ash River exchange should not threaten Blackduck's financial viability, and it is in a better position to provide reliable service to the Ash River customers.

RECOMMENDATION

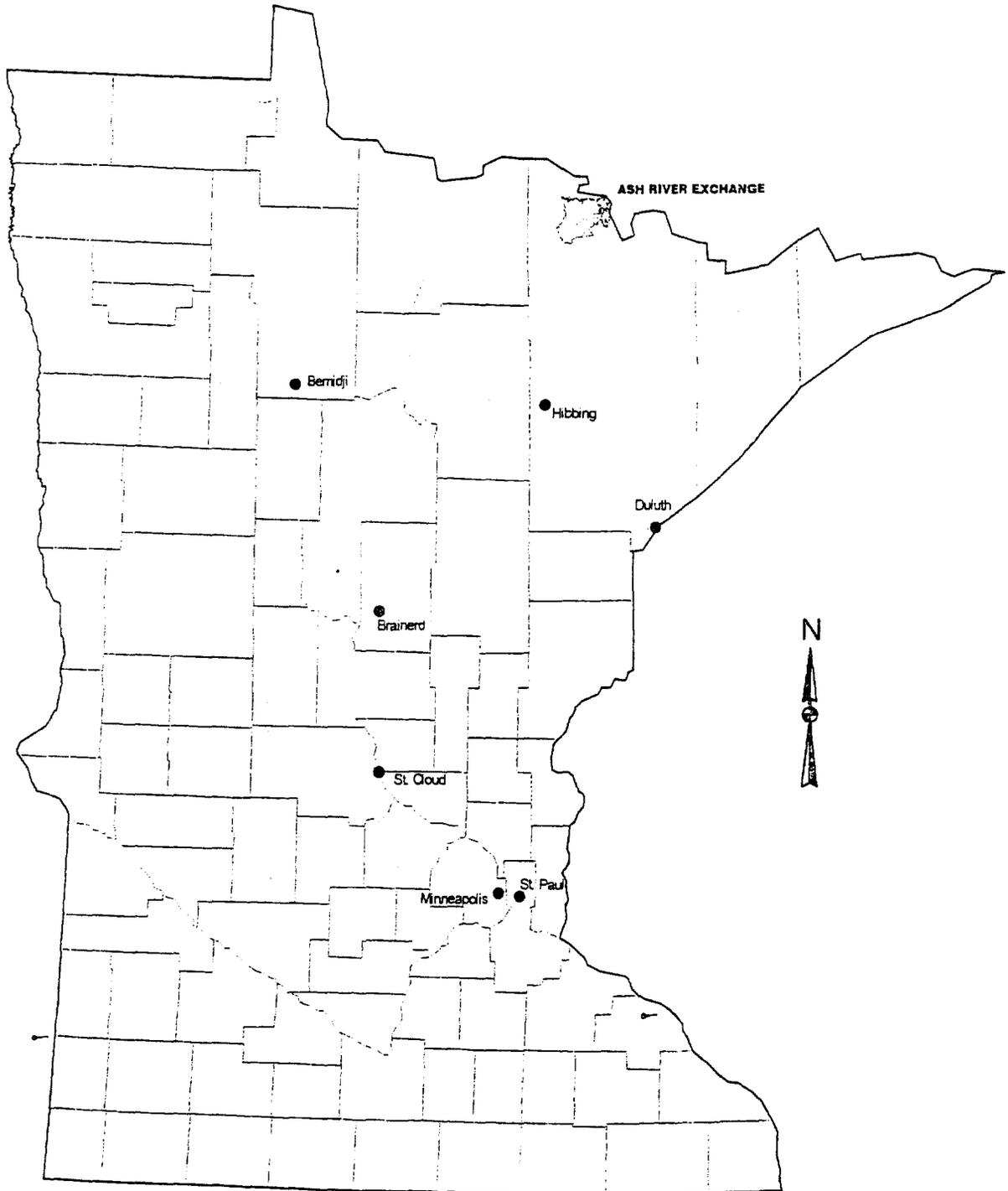
Approve the joint petition of Blackduck Telephone Company and Arvig Telephone Company to:

1. transfer to Blackduck all the assets and authorizations of Arvig used to provide local exchange telephone service in the Ash River, Minnesota exchange, and
2. make a statement that the Commission does not object to the FCC granting study area waivers to allow the resulting modification of the study areas of Blackduck and Arvig.

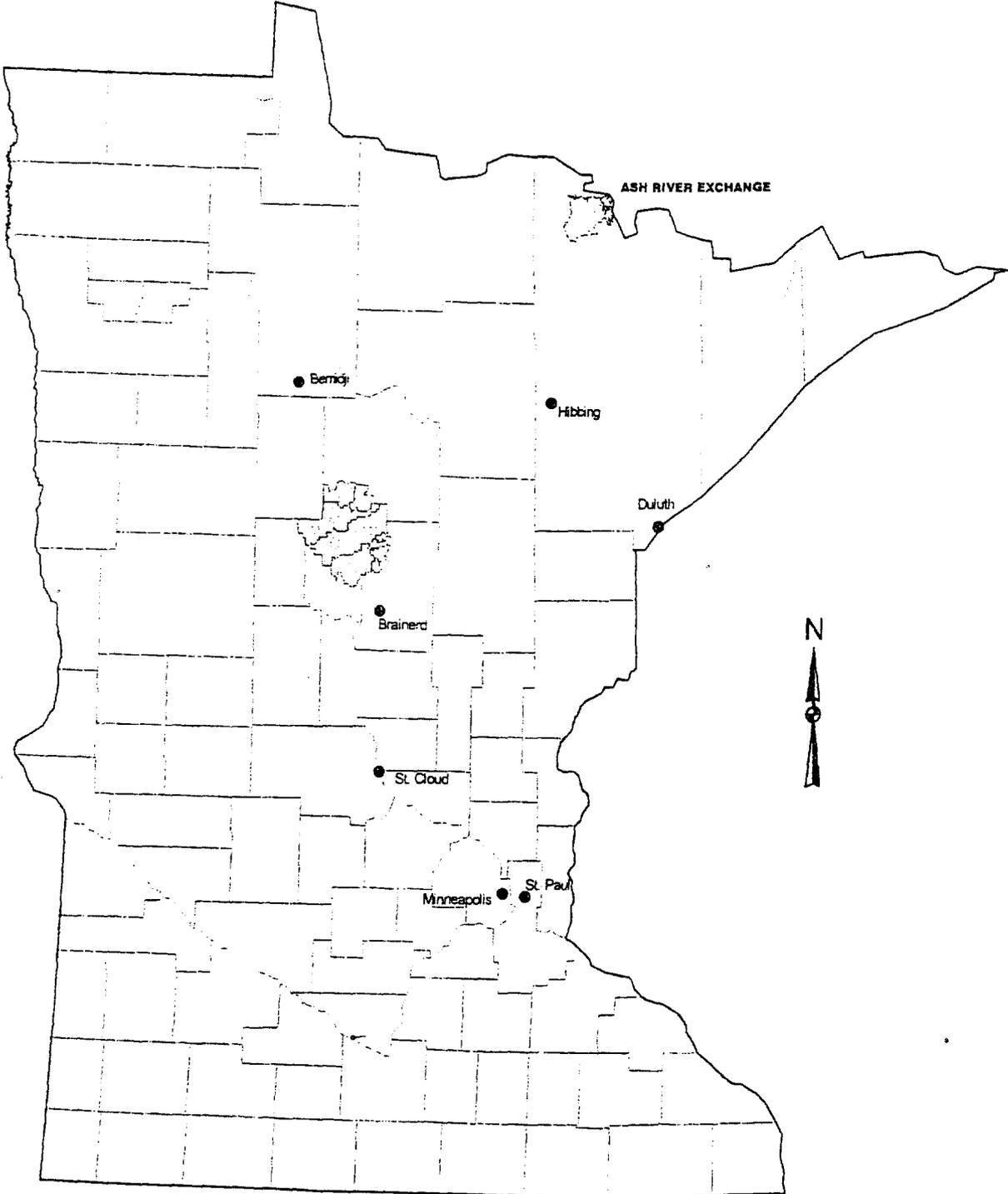
/sm

Arvig Telephone Company

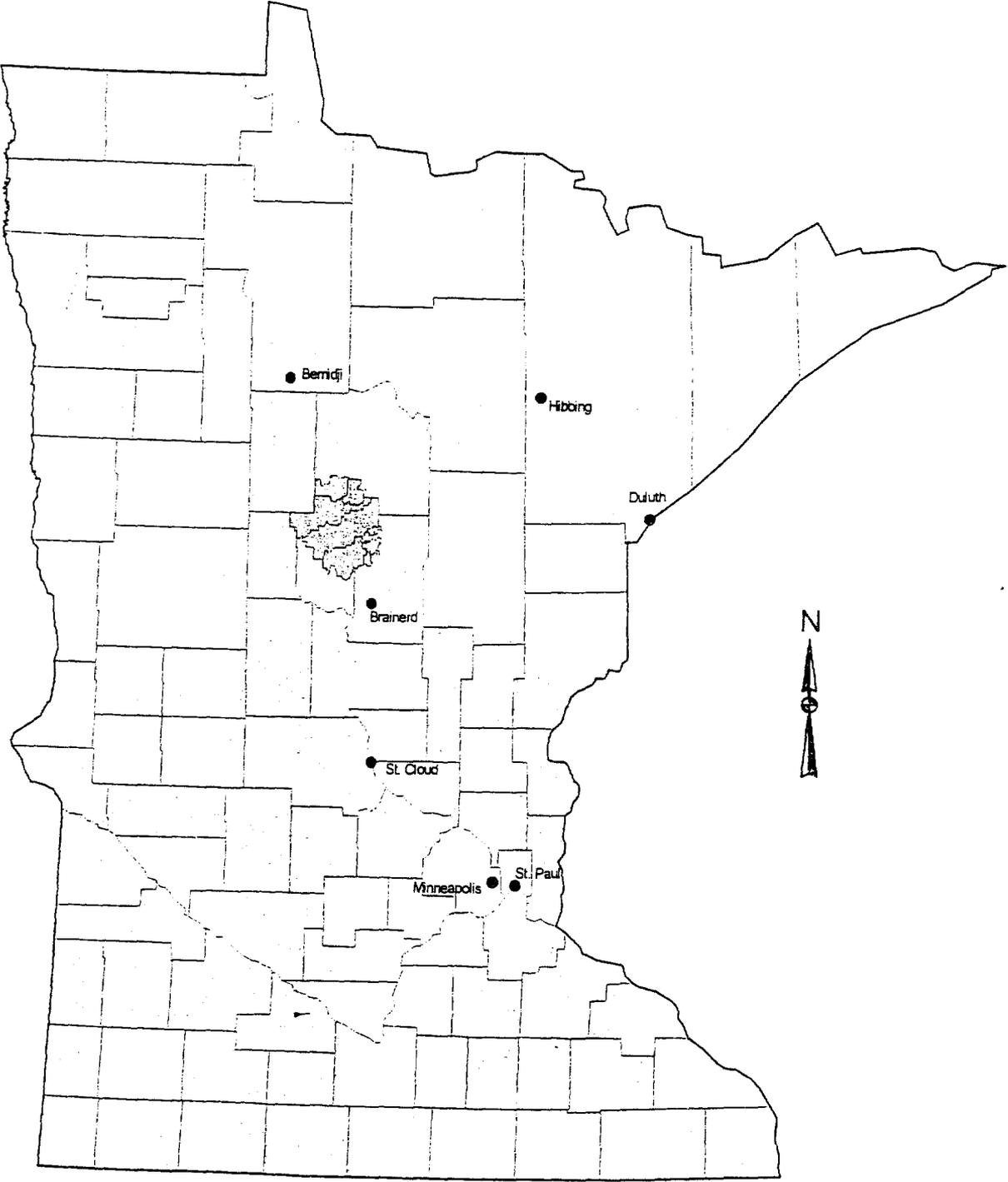
Ash River Exchange Only



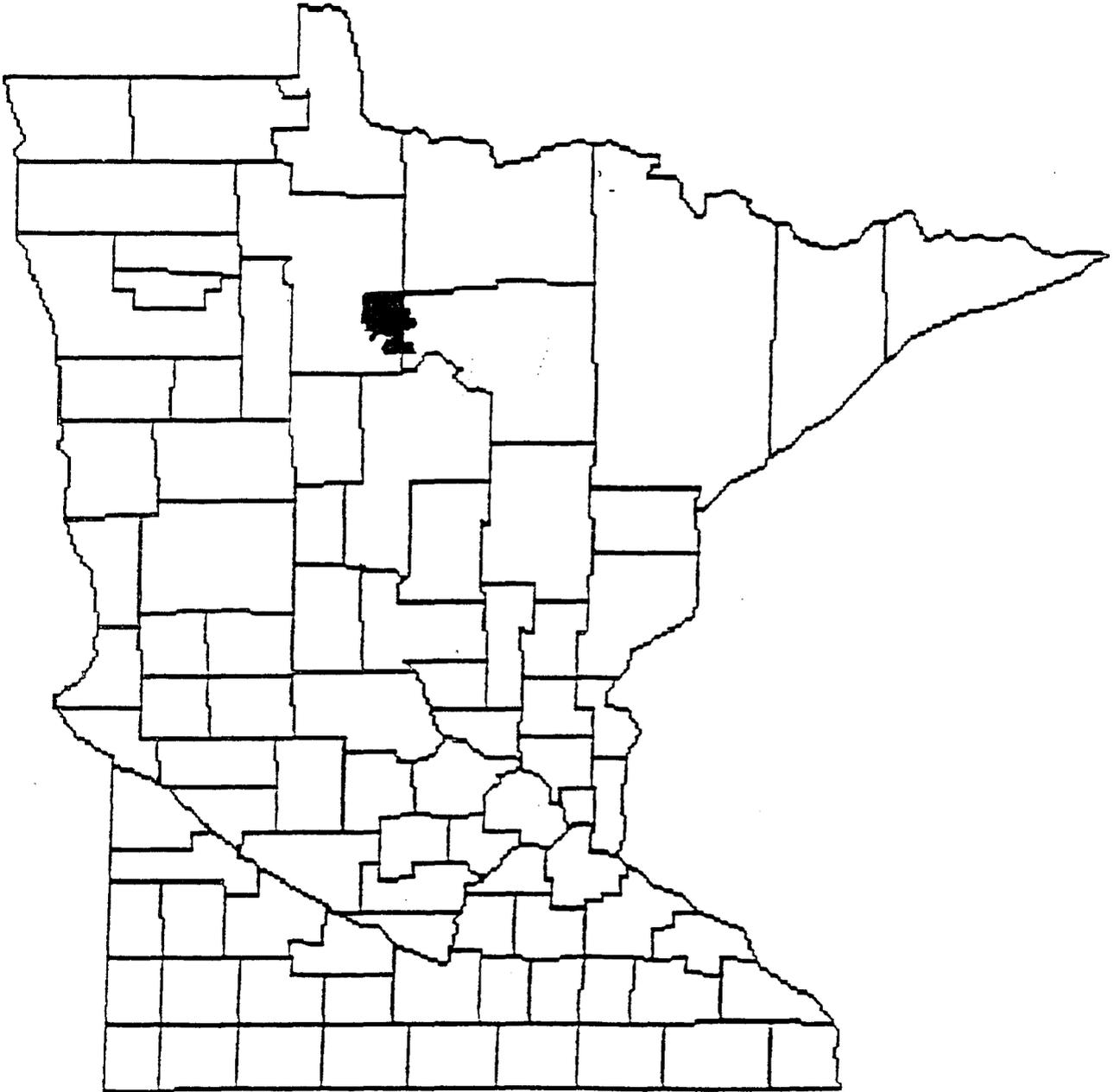
Arvig Telephone Company Including Ash River Exchange



Arvig Telephone Company Excluding Ash River Exchange



Blackduck Telephone Company
Before the Ash River Acquisition



Blackduck Telephone Company

After the Ash River Acquisition

