

Telecommunications  
E Commerce  
Technology  
Corporate & Finance  
Trademarks  
Proprietary Rights  
Complex Litigation  
General Business Law

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April 10, 2001

## VIA OVERNIGHT DELIVERY

Utilities Division  
Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Re: Application of Touch America Services, Inc. For a Approval of  
Assignment of Assets and Transfer of Certificate of Convenience to  
Provide Intrastate Telecommunication Services to Touch America, Inc.  
and Waiver

Dear Sir or Madam:

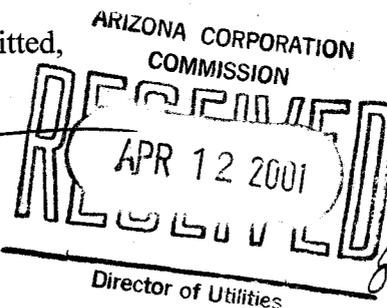
On behalf of Touch America, Inc. ("Touch America") and Touch America  
Services, Inc. ("Touch America Services"), its attorneys hereby submit an original and  
ten (10) copies of their Application of Touch America Services, Inc. For a Approval of  
Assignment of Assets and Transfer of Certificate of Convenience to Provide Intrastate  
Telecommunication Services to Touch America, Inc. and Waiver.

An extra copy is enclosed. Please date stamp and return in the self-addressed,  
stamped envelope. Please contact the undersigned at the above telephone number with  
questions regarding this filing. *(done)*

Respectfully submitted,

*Paul D*  
Paul Dean

Enclosure



*8:15 AM*

*T-03*  
*T-04*



0000068691

RECEIVED

NEW APPLICATION 2002 APR 11 P 3:59

AZ CORP COMMISSION  
DOCUMENT CONTROL

**Before the  
STATE OF ARIZONA CORPORATION COMMISSION**

Application of )  
 )  
Touch America Services, Inc. )  
For Approval of Assignment of Assets and )  
Transfer of Certificate of Convenience and )  
Necessity to Provide Intrastate )  
Telecommunications Services to )  
Touch America, Inc. and Waiver )  
Of Customer Notification )

\_\_\_\_\_

**APPLICATION**

Touch America Services, Inc. ("Touch America Services"), the wholly owned, indirect subsidiary of Touch America, Inc. ("Touch America"), respectfully, submits this Application for Authority to Transfer its Assets to its indirect parent, Touch America. Touch America Services also seeks to transfer its Certificate of Public Convenience and Necessity ("CC&N") to Touch America. Also, to the extent necessary to carry out the transfer of assets, the Parties request a waiver of the customer notification requirement. Finally, following the Commission's grant of authority to transfer its CC&N and assign assets to Touch America, and upon the assignment of assets on or shortly before June 30, 2001, Touch America Services respectfully requests that the Commission cancel its CC&N to provide facilities-based interexchange telecommunications services and withdraw its tariffs, ACC Tariffs Nos. 1 and 2.

## **I. BACKGROUND AND INTRODUCTION**

### **A. Touch America Services**

The Arizona Corporation Commission (“Commission”) granted Touch America Services a Certificate of Convenience and Necessity (“CC&N”) to operate as a facilities-based interexchange telecommunications services and alternative operator services provider in Arizona.

Touch America Services is a Delaware corporation incorporated on January 5, 2000 under the name TeleDistance, Inc. (“TeleDistance”).<sup>1</sup> TeleDistance changed its name to Touch America Services on June 8, 2000. The Arizona Corporation Commission approved the name change and issued Touch America Services a certificate of authority to conduct business as a foreign corporation in Arizona.<sup>2</sup> Subsequently, TeleDistance filed an application with the Commission to change the name on its CC&N to reflect the name change.

Touch America Services (f.k.a. TeleDistance) was formed by Qwest Communications International Inc. (“Qwest”) to facilitate the federally-mandated divestiture of its interLATA customers and assets in the 14-state former US WEST, Inc. (“US WEST”) service territory (“in-region”) (“Divestiture”) prior to its merger with US WEST. The Divestiture followed a two-step process, as follows: 1) Qwest transferred the in-region, interLATA customers and assets of its operating company subsidiaries (Qwest Communications Corporation, LCI International Telecom, Inc., Phoenix Network, Inc. and USLD Communications, Inc.) to TeleDistance; and 2) TeleDistance changed its name to Touch America Services and was then sold by Qwest to Touch America, Inc. on June 30, 2000.

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<sup>1</sup> Touch America Services' Certificate of Incorporation and Certificate to Do Business in Arizona attached at **Exhibit A**.

<sup>2</sup> See **Exhibit A**.

## **B. Touch America**

Touch America is a Montana corporation incorporated on July 13, 1983.<sup>3</sup> Touch America is authorized by the Arizona Corporation Commission to conduct business as a foreign corporation and is in good standing.<sup>4</sup>

Since its acquisition of Touch America Services on June 30, Touch America has been serving Arizona customers transferred from Qwest through its subsidiary, Touch America Services. As more fully described below, Touch America is a full service long distance telecommunications company with near nationwide operations.

As part of its agreement to purchase Touch America Services (f.k.a. TeleDistance) from Qwest, Touch America entered into a one-year long Transition Services Agreement ("TSA"), pursuant to which Qwest provides certain back-office and technical support in order to ease the transition of customers. At the conclusion of the TSA, June 30, 2001, Touch America Services will transfer all customers currently served under its carrier identification code ("CIC code") to Touch America's CIC code. At the same time, it will transfer its remaining assets to Touch America. Once its subsidiary's assets and customers have been transferred, Touch America will file papers to dissolve Touch America Services. At the conclusion of this restructuring, Touch America will remain as the corporate entity directly serving Arizona customers. However, prior to transferring the assets and customers of its subsidiary, Touch America requires a CC&N to operate in Arizona in the same capacity as its subsidiary currently does. Hence, the inclusion in

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<sup>3</sup> Touch America's Articles of Incorporation and amendments thereto, attached at **Exhibit B**.

<sup>4</sup> Touch America's Certificate to Do Business in Arizona attached at **Exhibit B**.

the instant Application of the request to transfer Touch America Services' CC&N prior to approving the assignment of assets.

Also, because customers subscribed to Touch America Services will technically have their preferred interexchange carrier changed if the Commission approves the instant Application, Touch America also asks to Commission to either forbear or waive A.R.S. § 44-1572.

Finally, following the Commission's grant of authority to transfer its CC&N and assign assets to Touch America, and upon the assignment of assets on June 30, 2001, Touch America Services respectfully requests that the Commission cancel its CC&N to provide facilities-based interexchange telecommunications services and withdraw its tariffs, ACC Tariff No. 1.

## **II. TOUCH AMERICA AND ITS PARENT CORPORATIONS**

Touch America is a Montana corporation with its principal office and place of business located at 130 N. Main Street, Butte, Montana 59701. Customers of Touch America may reach the company by a toll free call to 1-800-823-4664. Touch America is a wholly owned subsidiary of Entech, Inc., a Montana corporation, which in turn is a wholly owned subsidiary of The Montana Power Company ("Montana Power"), also a Montana corporation. Montana Power has its principal office and place of business at 40 E. Broadway, Butte, Montana 59701. Entech, Inc. has its principal office and place of business at 16 East Granite, Butte, Montana 59701. The stock of Montana Power is publicly traded on the New York Stock Exchange under the symbol "MTP."

Touch America is Montana Power's telecommunications subsidiary and the focus of its growth strategy in broadband fiber-optic and wireless spectrum applications. Touch America is

the owner, operator and developer of an 18,000-mile, state-of-the-art, high-speed, fiber-optic network that is scheduled to have more than 26,000 miles of fiber by year end 2001.

Touch America, through its fiber-optic network and its expanding alliances, offers high-speed access to the Internet, a full-line of long distance services, as well as dedicated voice, data, video, ATM and frame relay solutions. The company also offers "last mile" telecommunications solutions through its FCC spectrum licenses with LMDS (local multipoint distribution service) and PCS (personal communication service) applications.

Touch America also provides business telephone equipment and related services, using the most advanced telecommunications technology available today. Touch America's equipment services include design, installation and maintenance of PBX and key systems. Touch America also offers construction management oversight of the installation of fiber-optic systems.

In addition to the telecommunications activities of its subsidiary Touch America, Montana Power and its other subsidiaries purchase, transmit and distribute electricity; purchase, transport and distribute natural gas; and conduct non-utility operations involving the mining and sale of coal and lignite, exploration for and development, production, processing and sale of oil and natural gas (as well as trading and marketing of natural gas) and development, investment in, and operation of independent power projects and other energy-related businesses. Montana Power was incorporated in 1961 under the laws of the State of Montana as the successor to a corporation formed in 1912.

On April 28, 2000, Montana Power's Board of Directors voted to divest its energy businesses and become a stand-alone company focused entirely on telecommunications using its telecommunications subsidiary's name, Touch America. Since then, Montana Power has progressed with divestiture by selling certain energy assets. Pending shareholder approval,

Montana Power is prepared to complete its corporate reorganization sometime during the summer of 2001. The ongoing corporate reorganization will not, however, affect the instant Application.

### **III. REQUEST TO TRANSFER TOUCH AMERICA SERVICES' CC&N AND ASSETS TO TOUCH AMERICA**

#### **A. MANAGERIAL, TECHNICAL AND FINANCIAL QUALIFICATIONS OF TOUCH AMERICA**

As demonstrated herein, Touch America is well qualified managerially, technically and financially to: 1) assume control of its subsidiary's CC&N; 2) directly own and control its subsidiary's telecommunications assets; and 3) serve all customers transferred from Touch America Services. Touch America will abide by all applicable statutes, orders, rules, and regulations entered into and adopted by the Commission governing the provision of telecommunications services.

##### **1. Managerial Qualifications**

Michael J. Meldahl, President and Chief Operating Officer of Touch America, is also Executive Vice President and Chief Operating Officer of the Technology Division of Montana Power, and has managed communications and technology activities for Montana Power for over ten years. <sup>5</sup> Mr. Meldahl is also the President and Chief Operating Officer of the Applicant, holding these positions since Touch America's acquisition of Touch America Services on June 30, 2000.

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<sup>5</sup> The names and titles of the directors and executive officers of Touch America, Entech, Inc. and Montana Power, and biographical information for key members of the Touch America management team, are attached hereto as **Exhibit C**.

The management team of Montana Power and Touch America are experienced providers of an array of telecommunications services. This management team has supervised the construction and operation of a fully digital fiber network and oversees the provision to customers of the following telephone services: switched and dedicated long distance, travel cards, toll free telephone, Internet services, operator services, conference calling and carrier termination.

Touch America currently offers telecommunications services in thirty-five (35) states and presently has staffed offices in Billings, Bozeman, Helena, Butte, Great Falls, Kalispell and Missoula, Montana; Minneapolis, Minnesota; Fargo, North Dakota; Boise, Idaho; Spokane and Seattle, Washington; Eugene and Portland, Oregon; Casper, Wyoming; Denver, Colorado, Phoenix and Tucson, Arizona, and Salt Lake City, Utah. As Touch America's network expands, it expects to open new offices.

Using state-of-the-art digital switching equipment, Touch America's dedicated long distance services include intraLATA, interLATA, intrastate, interstate and international 1+ dialing, dedicated access lines, WATS lines and DS1 service. Toll free service coverage is available for in-state, regional, national and Canadian calling. Personal operator services are provided for Touch America's travelcard customers. Features of Touch America's Internet services include a multi-homed broadband backbone for 90-megabit access, reliable high-speed V.90 modem, e-mail hosting and delivery and interactive web-site management and storage. Conference calling is accessible from both 800 and 1+ lines, and for both dial out and "meet me" access. At present, carrier termination services are available for independent telephone companies, long distance companies and cellular companies in New Mexico, South Dakota,

Nebraska, Iowa, Utah, Colorado, Idaho, Minnesota, Montana, North Dakota, Oregon, Washington and Wyoming.

Not only is Michael Meldahl the President and Chief Operating Officer of both Touch America and the Applicant, so is the entire management team of the Applicant. Since its acquisition, Touch America Services has been operated and managed in a manner that is indistinguishable from its parent, Touch America. Therefore, Touch America's management team is well qualified to directly control the Applicant's CC&N and assets.

## **2. Technical Qualifications**

Touch America possesses the technical expertise to control the Applicant's CC&N and assets.

Touch America develops, constructs, operates, and maintains a fiber-optic network and digital microwave facilities. Touch America is the owner, operator and developer of an 18,000-mile, state-of-the-art, high-speed, fiber-optic network that is scheduled to have more than 26,000 miles of fiber by year-end 2001.

Touch America is certified, or otherwise authorized, to provide switched and dedicated interexchange telecommunications services in thirty-five (35) states and has applications pending in the remaining contiguous United States. In no instance has any Touch America application for a federal or state telecommunications authorization been denied or rejected.

Consequently, Touch America has ample experience constructing and operating telecommunications facilities and providing a vast array of telecommunications services so that it is technically well qualified to control the Applicant's CC&N and assets.

### 3. Financial Qualifications.

Touch America has substantial financial wherewithal and access to ample capital. As set forth in the financial statements for the fiscal year ending December 31, 1999, the telecommunications operations of Montana Power conducted by Touch America garnered over \$95 million in revenues for the year ending December 31, 1999, resulting in operating income of over \$35 million.<sup>6</sup> For the third Quarter 2000, Touch America's operating income was \$23.6 million with overall revenues exceeding \$122 million for the quarter.<sup>7</sup> Clearly, Touch America possesses more than adequate financial resources to provide services to directly control Applicant's assets and service its transferred customers. Touch America will supplement the instant Joint Application with its financial statements for the fiscal year ending December 31, 2000, upon the public release of said information, if requested by the Commission.

An organizational chart of the parent company is attached as Exhibit E. As explained above, federal and state taxes will not be allocated to the subsidiaries of the parent company because the subsidiary will cease to exist. Federal and state taxes will be allocated to the holding company in compliance with state and federal law. No description of diversification plans of affiliates is necessary, as the parent company has no affiliated companies. Copies of relevant documents filed with the United States Securities and Exchange Commission and other federal or state agencies will be provided upon request.

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<sup>6</sup> See audited financial statements of Touch America, Inc. for fiscal year ending December 31, 1999, at **Exhibit D**.

<sup>7</sup> See Montana Power Quarterly Summary for Third Quarter 2000, discussion of Touch America earnings, at **Exhibit D**.

**B. ADDITIONAL INFORMATION**

The following additional information may be useful to the Commission's evaluation of Applicant's request to transfer its CC&N and assets to its parent.

**1. The name, address, and telephone number of the applicant.**

*At Present:*

Touch America Services, Inc.  
130 East Main Street  
Butte, Montana 59701  
Phone: 406-496-5100

*After the Transfer:*

Touch America, Inc.  
130 East Main Street  
Butte, Montana 59701  
Phone: 406-496-5100

**2. The name under which the applicant will provide these services.**

*At Present:* "Touch America"

*After the Transfer:* "Touch America"

As discussed in detail below, Touch America Services provides operator services in Arizona under its parent company's trade name, "Touch America." Following the transfer of assets and CC&N, Touch America will continue to provide service using its trade name.

Therefore, the transition will be transparent to Arizona subscribers in every respect.

**3. The location of its principal office, if any, in this state and the name and address of its current registered agent.**

*At Present and after the Transfers:*

The registered agent for the companies in the state of Arizona is:

Corporation Service Company  
3636 N. Central Avenue

Phoenix, AZ 85012  
Phone: (602) 334-9600

- 4. The names, addresses, telephone number, fax number, E-mail address, and toll-free number of the applicant's representatives to whom all inquiries must be made regarding complaints and regulatory matters and a description of how the applicant handles customer billings and customer service matters.**

*At Present and after the Transfers:*

Complaints:

Mr. Brent Booth  
Manager of Customer Care  
1903 S. Russell  
P.O. Box 5207  
Missoula, Montana 59806  
Phone: (406) 523-3605  
Fax: (406) 523-3606  
E-mail: [bbooth@tamerica.com](mailto:bbooth@tamerica.com)  
Toll Free No.: (800) 823-4664

Regulatory Matters:

Mr. John Fitzpatrick  
Executive Director, Governmental &  
Regulatory Affairs  
1315 N. Main St.  
Helena, Montana 59604  
Phone: (406) 442-9194  
Fax: (406) 442-8730  
E-mail: [jfitz@tamerica.com](mailto:jfitz@tamerica.com)

For service, billing, and repair complaints, customers may contact the company's Customer Service Center 24 hours a day, seven days a week at (800) 823-4664. In addition, customers may contact the company's Customer Service Center by writing to Customer Service Center, 1903 S. Russell St., Missoula, Montana 59806. Nothing will change as a result of the transfers to Touch America.

- 5. A list of the states in which the applicant is registered or certified to provide telecommunications services, whether the applicant has ever been denied registration or certification in any state and the reasons for any such denial, a statement as to whether or not the applicant is in good standing with the appropriate regulatory agency in the states where it is registered or certified, and a detailed explanation of why the applicant is not in good standing in a given state, if applicable.**

*At Present:*

Touch America Services is presently certified, registered or otherwise authorized to provide telecommunications services, including operator services, in Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Arizona, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming. Touch America Services is in good standing in all states in which it is authorized to conduct business.

*After the Transfers:*

A list of states in which Touch America is presently certified, registered or otherwise authorized to provide telecommunications services is attached as **Exhibit F**.

**IV. REQUEST FOR WAIVER OF CUSTOMER AUTHORIZATION RULE**

Touch America Services and Touch America (“the Parties”) hereby request a waiver of A.R.S. § 44-1572, regarding the approved procedures for changing a subscriber’s designated telecommunications company (“Customer Authorization Rule”). The Parties request a waiver of the Customer Authorization Rule to effectuate the seamless and non-disruptive transition of subscribers of a subsidiary operating company, Touch America Services, to its parent, Touch America. Although the transaction will result in the submission of preferred carrier change requests necessary to transition customers from Touch America Services’ CIC code to Touch America’s, thereby technically falling within the purview of A.R.S. § 44-1572, the Parties argue that a waiver is justified because it would be infeasible, or at the very least costly and unduly burdensome, for the Parties to obtain authorization and verification from each subscriber due to the sheer number of affected subscribers.

The Parties also request that the Commission forbear from imposing a customer notification requirement. As indicated in Section III.B.(2), supra, Touch America Services operates in Arizona and interfaces with its Arizona customers under its parent's trade name, "Touch America." For example, all customer billing statements reflect the "Touch America" name and logo, customers calling Touch America Services' customer service center or connecting to a Touch America Services' operator are greeted by a "Touch America" representative, and all other interactions between the carrier and its customers are through the "Touch America" trade name and logo. Therefore, should the Commission approve the transfer of Touch America Services' CC&N and assets to Touch America, as requested herein, Arizona customers currently PIC'd to Touch America Services would be transitioned to Touch America's CIC code, but would not notice nor would they experience any difference in service, either in appearance, quality or otherwise.

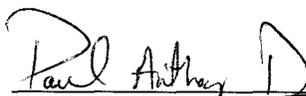
The Parties have shown good cause as to why the Customer Authorization Rule should be waived. In addition, the Parties have shown good cause as to why there is no customer notification necessary. The Parties therefore pray for relief from the Customer Authorization Rule and any related customer notification requirement.

## **V. CONCLUSION**

Touch America possesses the requisite managerial, technical and financial qualifications to be certified as a competitive telecommunications and alternative operator services provider in Arizona and waiver of the customer authorization rule is warranted. Therefore, Touch America Services respectfully requests that the Commission grant it the authority to transfer its CC&N and assets to its direct parent, Touch America, and waive the customer authorization rule and

related customer notification requirements. Finally, upon transfer of assets on or shortly before June 30, 2001, the Parties request that the Commission cancel Touch America Services' remaining CC&N and withdraw its tariffs, ACC Tariffs Nos. 1 and 2.

**TOUCH AMERICA SERVICES, INC.  
TOUCH AMERICA, INC.**

By:   
Paul Anthony Dean  
The Helein Law Group, P.C.  
8180 Greensboro Drive, Suite 700  
McLean, VA 22101-3828  
Phone: (703) 714-1313  
Fax: (703) 714-1330

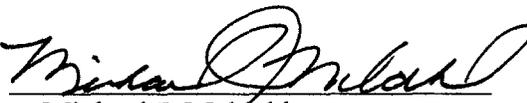
Their Counsel

Dated: April 10, 2001

VERIFICATION

State of Montana )  
 ) ss.  
County of Silver Bow )

I, Michael J. Meldahl, hereby declare under penalty of perjury that I am President and Chief Operating Officer of Touch America Services, Inc. and Touch America, Inc.; that I am authorized to make this declaration on their behalf; and that the facts stated in the foregoing submission relating to such companies are true and correct to the best of my knowledge, information and belief.

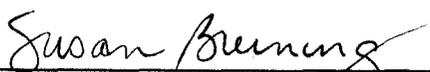
By:   
Michael J. Meldahl  
Touch America Services, Inc.  
Touch America, Inc.  
130 E. Main Street  
Butte, Montana 59701

Executed on: 3/20/01

State of Montana  
County of Butte Silver Bow

Signed before me on March 20, 2001  
By Michael J. Meldahl  
President of Touch America, Inc.

(Seal )

  
(Signature of notarial officer)

My Commission expires: 6/1/2004

## **LIST OF EXHIBITS**

- EXHIBIT A – Touch America Services' Articles of Incorporation and Certificate To Do Business**
- EXHIBIT B – Touch America Articles of Incorporation and Certificate to Do Business**
- EXHIBIT C – Executive Directory and Profiles.**
- EXHIBIT D – Touch America, Inc.'s Financial Reports**
- EXHIBIT E – Organizational Chart of Parent and Subsidiaries**
- EXHIBIT F – List of States in Which Touch America is Authorized to Provide Telecommunications Services**

**EXHIBIT A**

Touch America Services' Articles of Incorporation and Certificate To Do Business

Office of the Secretary of State

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I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "TELEDISTANCE, INC.", CHANGING ITS NAME FROM "TELEDISTANCE, INC." TO "TOUCH AMERICA SERVICES, INC.", FILED IN THIS OFFICE ON THE EIGHTH DAY OF JUNE, A.D. 2000, AT 4:30 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.



*Edward J. Freel*

Edward J. Freel, Secretary of State

3153993 8100

001300981

AUTHENTICATION: 0495933

DATE: 06-14-00

6-8-00

**Certificate of Amendment  
of  
Certificate of Incorporation  
of  
TeleDistance, Inc.**

TeleDistance, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation, by unanimous written consent of its members filed with the minutes of the Board, adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said corporation:

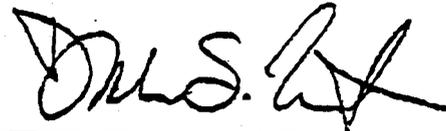
RESOLVED, that the Certificate of Incorporation of TeleDistance, Inc. be amended by changing the First Article thereof so that, as amended, said Article shall be read as follows:

"The name of the corporation is Touch America Services, Inc."

SECOND: That in lieu of a meeting and vote of the stockholders, the stockholders have given unanimous written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

THIRD: That the amendment was duly adopted in accordance with the provisions of section 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by Drake S. Tempest its Exec. Vice Pres., this 7th day of June, 2000.



By: Executive Vice President  
(Title)

Office of the Secretary of State

---

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "TELEDISTANCE, INC.", CHANGING ITS NAME FROM "TELEDISTANCE, INC." TO "TOUCH AMERICA SERVICES, INC.", FILED IN THIS OFFICE ON THE EIGHTH DAY OF JUNE, A.D. 2000, AT 4:30 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.



*Edward J. Freel*

Edward J. Freel, Secretary of State

3153993 8100

001300981

AUTHENTICATION:

0495933

DATE:

06-14-00

6-8-00

Certificate of Amendment  
of  
Certificate of Incorporation  
of  
TeleDistance, Inc.

TeleDistance, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation, by unanimous written consent of its members filed with the minutes of the Board, adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said corporation:

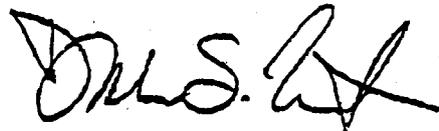
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"The name of the corporation is Touch America Services, Inc."

SECOND: That in lieu of a meeting and vote of the stockholders, the stockholders have given unanimous written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

THIRD: That the amendment was duly adopted in accordance with the provisions of section 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by \_\_\_\_\_  
Drake S. Tempest, its Exec. Vice Pres., this 7th day of June, 2000.



By: Executive Vice President  
(Title)

Office of the Secretary of State

---

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "TELEDISTANCE, INC.", CHANGING ITS NAME FROM "TELEDISTANCE, INC." TO "TOUCH AMERICA SERVICES, INC.", FILED IN THIS OFFICE ON THE EIGHTH DAY OF JUNE, A.D. 2000, AT 4:30 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.



*Edward J. Freel*

Edward J. Freel, Secretary of State

3153993 8100

001300981

AUTHENTICATION:

0495933

DATE:

06-14-00

6-8-00

Certificate of Amendment  
of  
Certificate of Incorporation  
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TeleDistance, Inc.

TeleDistance, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation, by unanimous written consent of its members filed with the minutes of the Board, adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said corporation:

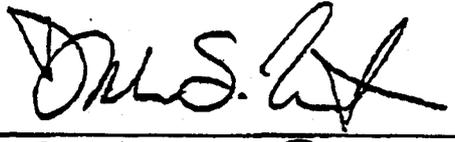
RESOLVED, that the Certificate of Incorporation of TeleDistance, Inc. be amended by changing the First Article thereof so that, as amended, said Article shall be read as follows:

"The name of the corporation is Touch America Services, Inc."

SECOND: That in lieu of a meeting and vote of the stockholders, the stockholders have given unanimous written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

THIRD: That the amendment was duly adopted in accordance with the provisions of section 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by Drake S. Tempest its Exec. Vice Pres. this 7th day of June, 2000.



By: Executive Vice President  
(Title)

**EXHIBIT B**

Touch America's Articles of Incorporation and Certificate to Do Business

ARTICLES OF AMENDMENT  
TO THE ARTICLES OF INCORPORATION  
OF  
TRI TOUCH AMERICA, INC.

337709  
STATE OF MONTANA  
**FILED**  
NOV 30 1995  
SECRETARY OF STATE

Pursuant to the provisions of Section 35-1-230, M.C.A., the undersigned corporation adopts the following Articles of Amendments to its Articles of Incorporation.

FIRST: The name of the corporation is TRI Touch America, Inc.

SECOND: The amendment so adopted is as follows: Article I of the Articles of Incorporation of the corporation is amended to read: "Article 1. The name of the corporation is Touch America, Inc."

THIRD: The Board of Directors approved this amendment on the 21st day of November, 1995, and recommended the amendment to the shareholders. The shareholders approved this amendment on the 21st day of November 1995.

FOURTH: Presently there are 430 shares of common, voting stock outstanding. These shares are entirely owned by Entech, Inc., and Entech, Inc. voted all 430 shares in favor of the amendment.

DATED this 21st day of November, 1995.

TRI TOUCH AMERICA, INC.

By:

  
Michael J. Meidahl, President

By:

  
Pamela K. Merrell

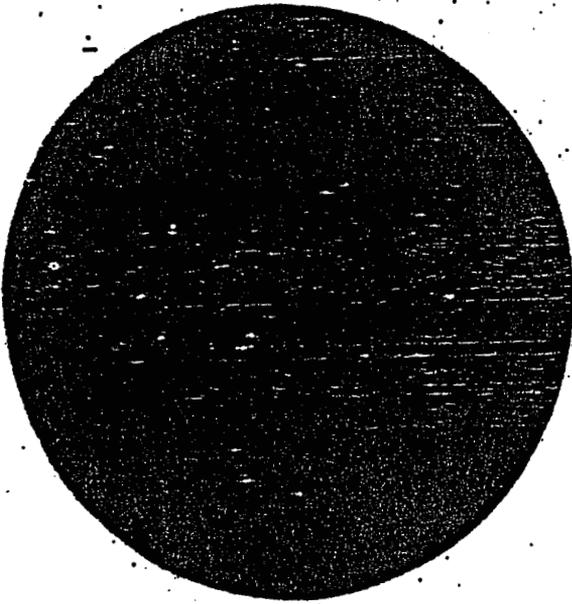
SECRETARY OF STATE  
STATE OF MONTANA

CERTIFICATE OF AMENDMENT  
TO THE CERTIFICATE OF INCORPORATION

I, MIKE COONEY, Secretary of State of the State of Montana, do hereby certify that the Articles of Amendment to the Articles of Incorporation of TELECOMMUNICATIONS RESOURCES, INC., a Montana profit corporation, duly executed pursuant to the provisions of Section 35-1-230, Montana Code Annotated, has been received in my office and conform to law.

NOW, THEREFORE, I, MIKE COONEY, as such Secretary of State, by virtue of the authority vested in me by law, hereby issue this Certificate of Amendment to the Certificate of Incorporation of TELECOMMUNICATIONS RESOURCES, INC., a Montana profit corporation, changing its name to TRI TOUCH AMERICA, INC. and attach hereto a copy of the Articles of Amendment to the Articles of Incorporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of Montana, at Helena, the Capital, this May 5, A.D. 1992.



*Mike Cooney*  
MIKE COONEY  
Secretary of State

U U U U

STATE OF MONTANA

FILED

MAY 05 1992

SECRETARY OF STATE

ARTICLES OF AMENDMENT  
TO THE ARTICLES OF INCORPORATION  
OF  
TELECOMMUNICATIONS RESOURCES, INC.

Pursuant to the provisions of Section 35-1-230, M.C.A., the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation.

FIRST: The name of the corporation is Telecommunications Resources, Inc.

SECOND: The amendment so adopted is as follows: Article I of the Articles of Incorporation of the corporation is amended to read: "Article I. The name of the corporation is TRI Touch America, Inc."

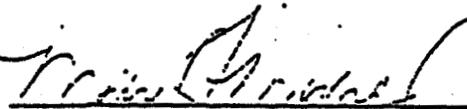
THIRD: The Board of Directors approved this amendment on the 23rd day of March, 1992, and recommended the amendment to the shareholders. The shareholders approved this amendment on the 24th day of March, 1992.

FOURTH: Presently there are 430 shares of common, voting stock outstanding. These shares are entirely owned by Entech, Inc., and Entech, Inc. voted all 430 shares in favor of the amendment.

DATED this 25th day of March, 1992.

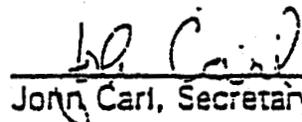
TELECOMMUNICATIONS RESOURCES, INC.

By:



Michael J. Meldani, President

By:



John Carl, Secretary

Office of the Secretary of State



STATE OF MONTANA

CERTIFICATE OF INCORPORATION

I, JIM WALTERMIRE, Secretary of State of the State of Montana, do hereby certify that duplicate originals of the Articles of Incorporation for the incorporation of TELECOMMUNICATIONS RESOURCES, INC., a Montana corporation, duly executed pursuant to the provisions of Section 35-1-203, Montana Code Annotated, have been received in my office and conform to law.

NOW, THEREFORE, I, JIM WALTERMIRE, as such Secretary of State, by virtue of the authority vested in me by law, hereby issue this Certificate of Incorporation to TELECOMMUNICATIONS RESOURCES, INC., a Montana corporation, and attach hereto a duplicate original of the Articles of Incorporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of Montana, at Helena, the Capital, this July 13, A.D. 1983.



*Jim Waltermire*  
JIM WALTERMIRE  
Secretary of State

STATE OF MONTANA  
**FILED**

JUL 13 1983

JIM WALTERMIRE  
SECRETARY OF STATE

*Jim Waltermire*  
7/26/83

ARTICLES OF INCORPORATION

OF

TELECOMMUNICATIONS RESOURCES, INC.

The undersigned, acting as incorporators of a corporation under the Montana Business Corporation Act, adopt the following Articles of Incorporation for such corporation:

ARTICLE I

The name of the corporation is Telecommunications Resources, Inc.

ARTICLE II

The period of its duration is perpetual.

ARTICLE III

The purpose for which the corporation is formed is the transaction of any lawful business for which a corporation may be formed under the Montana Business Corporation Act.

ARTICLE IV

The aggregate number of shares which the corporation shall have authority to issue is 50,000 common shares having no par value.

ARTICLE V

The address of its initial registered office is 40 East Broadway, Butte, Montana 59701, and the name of its registered agent at such address is C. J. Gilder.

ARTICLE VI

The number of directors constituting the initial Board of Directors is six (6) and the names and addresses of the persons who are to serve as directors until the first annual

meeting of shareholders or until their successors are elected and qualify are:

J. A. McElwain  
40 East Broadway  
Butte, Montana 59701

R. J. Labrie  
40 East Broadway  
Butte, Montana 59701

John Carl  
40 East Broadway  
Butte, Montana 59701

W. P. Schmechel  
40 East Broadway  
Butte, Montana 59701

R. Thomas Lough  
40 East Broadway  
Butte, Montana 59701

O. P. Rice  
40 East Broadway  
Butte, Montana 59701

ARTICLE VII

The names and addresses of the incorporators are:

J. A. McElwain  
40 East Broadway  
Butte, Montana 59701

R. J. Labrie  
40 East Broadway  
Butte, Montana 59701

John Carl  
40 East Broadway  
Butte, Montana 59701

W. P. Schmechel  
40 East Broadway  
Butte, Montana 59701

R. Thomas Lough  
40 East Broadway  
Butte, Montana 59701

O. P. Rice  
40 East Broadway  
Butte, Montana 59701

DATED: July 7, 1983.

Robert J. Labrie  
INCORPORATOR

J. A. McElwain  
INCORPORATOR

W. P. Schmechel  
INCORPORATOR

O. P. Rice  
INCORPORATOR

R. Thomas Lough  
INCORPORATOR

John Carl  
INCORPORATOR

STATE OF MONTANA )

) ss:

County of Silver Bow )

On this 7<sup>th</sup> day of July, in the year 1983, before me, the undersigned Notary Public, personally appeared J. A. McELWAIN, W. P. SCHEMECHEL, R. J. LABRIE, O. P. RICE, JOHN CARL and R. THOMAS LOUGH, known to me to be the persons whose names are subscribed to the within Articles of Incorporation, and acknowledged to me that they executed the same.

*Allen C. McArthur*

Notary Public for the State of  
Montana

Residing at Butte, Montana

My Commission Expires 10/12/84

WJCSM

ARIZONA CORPORATION COMMISSION  
CORPORATIONS DIVISION

Phoenix Address: 1100 West Washington  
Phoenix, Arizona 85007-2029

Tucson Address: 400 West Congress  
Tucson, Arizona 85701-1447

PROFIT  
CERTIFICATE OF DISCLOSURE  
A.R.S. §10-202.D

Touch America, Inc.

EXACT CORPORATE NAME

A. Has any person serving either by election or appointment as officer, director, trustee, incorporator and persons controlling or holding over 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation

Been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate?

2. Been convicted of a felony the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate?

3. Been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate wherein such injunction, judgment, decree or permanent order

(a) involved the violation of fraud or registration provisions of the securities laws of that jurisdiction?; or

(b) involved the violation of the consumer fraud laws of that jurisdiction?; or

(c) involved the violation of the antitrust or restraint of trade laws of that jurisdiction?

Yes \_\_\_\_\_ No X

B. IF YES, the following information MUST be attached

- 1. Full name, prior names and aliases, if used
- 2. Full birth name
- 3. Present home address
- 4. Prior addresses (for immediate preceding 7-year period)
- 5. Date and location of birth

- 6. Social Security number.
- 7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

C. Has any person serving as an officer, director, trustee or incorporator of the corporation served in any such capacity or held or controlled over 20% of the issued and outstanding common shares, or 20% of any other proprietary, beneficial or membership interest in any corporation which has been placed in bankruptcy, receivership or had its charter revoked, or administratively or judicially dissolved by any state or jurisdiction?

Yes \_\_\_\_\_ No X

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES" YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION

- 1. Name and address of the corporation
- 2. Full name (including aliases) and address of each person involved
- 3. State(s) in which the corporation. (a) Was incorporated. (b) Has transacted business
- 4. Dates of corporate operation
- 5. Date and case number of Bankruptcy or date of revocation/administrative dissolution

D. The fiscal year end adopted by the corporation is 12/31

Under penalties of law, the undersigned incorporator(s)/officer(s) declare(s) that I/we have examined this Certificate, including any attachments, and to the best of my/our knowledge and belief it is true, correct and complete, and hereby declare as indicated above. THE SIGNATURE(S) MUST BE DATED WITHIN THIRTY (30) DAYS OF THE DELIVERY DATE.

BY R. M. Ralph BY \_\_\_\_\_

PRINT NAME R. M. Ralph PRINT NAME \_\_\_\_\_

TITLE Assistant Secretary DATE 10-27-98 TITLE \_\_\_\_\_ DATE \_\_\_\_\_

DOMESTIC CORPORATIONS: ALL INCORPORATORS MUST SIGN THE INITIAL CERTIFICATE OF DISCLOSURE. If within sixty days, any person becomes an officer, director, trustee or person controlling or holding over 10% of the issued and outstanding shares or 10% of any other proprietary, beneficial, or membership interest in the corporation and the person was not included in this disclosure, the corporation must file an AMENDED certificate signed by at least one duly authorized officer of the corporation.

FOREIGN CORPORATIONS: MUST BE SIGNED BY AT LEAST ONE DULY AUTHORIZED OFFICER OF THE CORPORATION

CI-0022 Business Corporations  
Rev. 2/98

AZ COMP COMMISSION  
FOR THE STATE OF AZ.  
DELIVERED

Nov 3 3 25 PM '98

*Sonia Dues*  
11/3/98

APPLICATION FOR AUTHORITY  
TO TRANSACT BUSINESS  
IN ARIZONA

The name of the corporation is: Touch America, Inc.  
A(n) Montana Corporation.  
(State, Province or Country)

DATE

F-0856379-8

✓ FB 11 04 98

X We are a foreign corporation applying for authority to transact business in the state of Arizona.

\_\_\_\_\_ We are a foreign corporation currently authorized to transact business in Arizona and must now file this Application for New Authority pursuant to A.R.S. § 10-1504 because we have changed the following in our domicile jurisdiction:

- Our actual corporate name (or the name under which we originally obtained authority in Arizona).
- The period of our duration.
- The state, province or country of our incorporation.

1 The exact name of the foreign corporation is

Touch America, Inc. *OK*

If the exact name of the foreign corporation is not available for use in this state, then the fictitious name adopted for use by the corporation in Arizona is:

\_\_\_\_\_ (FN)

2 The name of the state, province or county in which the foreign corporation is incorporated is:

Montana

3 The foreign corporation was incorporated on the 13<sup>th</sup> day of July, 19 83, and the period of its duration is perpetual

4 The street address of the principal office of the foreign corporation in the state, province or country of its incorporation is

c/o R. M. Ralph  
40 E Broadway

Butte, MT 59701

5 The name and street address of the statutory agent for the foreign corporation in Arizona is:

Corporation Service Company

1636 North Central Avenue

Phoenix, Arizona 85012

5 a The street address of the known place of business of the foreign corporation in Arizona IF DIFFERENT from the street address of the statutory agent is:

N/A  
\_\_\_\_\_  
\_\_\_\_\_

The Annual Report and general correspondence should be mailed to the address specified above in section 4 X or 5a \_\_\_\_\_

6. The purpose of the corporation is to engage in any and all lawful business in which corporations may engage in the state, province or country under whose law the foreign corporation is incorporated, with the following limitations, if any: (If none, so state.)

None  
\_\_\_\_\_

7. The names and usual business addresses of the current directors and officers of the foreign corporation are: (Attach additional sheets if necessary.)

See attached officers/directors rider A \_\_\_\_\_ [title]

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ [title]

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ [title]

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ [title]

\_\_\_\_\_  
\_\_\_\_\_

8. The foreign corporation is authorized to issue 50,000 shares, itemized as follows:  
(Attach additional sheets if necessary.)

50,000 shares of common [class or series] stock at  
X no par value or par value of \$ \_\_\_\_\_ per share.

\_\_\_\_\_ shares of \_\_\_\_\_ [class or series] stock at  
\_\_\_\_\_ no par value or par value of \$ \_\_\_\_\_ per share.

\_\_\_\_\_ shares of \_\_\_\_\_ [class or series] stock at  
\_\_\_\_\_ no par value or par value of \$ \_\_\_\_\_ per share.

9. The foreign corporation has issued 430 shares, itemized as follows:  
(Attach additional sheets if necessary.)

430 shares of common [class or series] stock at  
X no par value or par value of \$ \_\_\_\_\_ per share.

\_\_\_\_\_ shares of \_\_\_\_\_ [class or series] stock at  
\_\_\_\_\_ no par value or par value of \$ \_\_\_\_\_ per share.

\_\_\_\_\_ shares of \_\_\_\_\_ [class or series] stock at  
\_\_\_\_\_ no par value or par value of \$ \_\_\_\_\_ per share.

10. The character of business the foreign corporation initially intends to conduct in Arizona is:

Telecommunication systems & equipment

This application is accompanied by:

A Certificate of Disclosure containing the information set forth in Arizona Revised Statutes Section 10-202.D.

A certified copy of our articles of incorporation, all amendments (AZ Const. Art. XIV, §8) and a certificate of existence or document of similar import duly authenticated by the official having custody of corporate records in the state, province or country under whose laws we are incorporated (A.R.S. §10-1503.B).

The filing fee(s) (U.S.) made payable to the Arizona Corporation Commission.

DATED this 27th day of October, 19 98.

Touch America, Inc.  
[Name of Corporation]

Executed by *R.M. Ralph*

R. M. Ralph Assistant Secretary  
[print name] [title]

PHONE 406-497-2374 FAX 406-497-3018  
[optional] [optional]

#### ACCEPTANCE OF APPOINTMENT BY STATUTORY AGENT

The undersigned hereby acknowledges and accepts the appointment as statutory agent of this corporation effective this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_. Please see attached signed  
Corporation Service Company acknowledgment

\_\_\_\_\_  
Signature

\_\_\_\_\_  
[Print Name]

9. The foreign corporation has issued \_\_\_\_\_ shares, itemized as follows:  
(Attach additional sheets if necessary.)

\_\_\_\_\_ shares of \_\_\_\_\_ [class or series] stock at  
\_\_\_\_\_ no par value or par value of \$ \_\_\_\_\_ per share.

\_\_\_\_\_ shares of \_\_\_\_\_ [class or series] stock at  
\_\_\_\_\_ no par value or par value of \$ \_\_\_\_\_ per share.

\_\_\_\_\_ shares of \_\_\_\_\_ [class or series] stock at  
\_\_\_\_\_ no par value or par value of \$ \_\_\_\_\_ per share.

10. The character of business the foreign corporation initially intends to conduct in Arizona is:

\_\_\_\_\_

This application is accompanied by:

A Certificate of Disclosure containing the information set forth in Arizona Revised Statutes Section 10-292.D.

A certified copy of our articles of incorporation, all amendments (AZ Const. Art. XIV, §8) and a certificate of existence or document of similar import duly authenticated by the official having custody of corporate records in the state, province or country under whose laws we are incorporated (A.R.S. §10-1503.B).

The filing fee(s) (U.S.) made payable to the Arizona Corporation Commission.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
[Name of Corporation]

Executed by \_\_\_\_\_

\_\_\_\_\_  
[print name] [title]

PHONE \_\_\_\_\_ FAX \_\_\_\_\_  
[optional] [optional]

**ACCEPTANCE OF APPOINTMENT BY STATUTORY AGENT**

The undersigned hereby acknowledges and accepts the appointment as statutory agent of this corporation effective this 20th day of October 1998

Corporation Service Company

Karen E. Wehner  
Signature

Karen E. Wehner, Assistant Vice-President  
[Print Name]

## **TOUCH AMERICA, INC.**

### **DIRECTORS**

R. P. Gannon	40 E Broadway, Butte, MT 59701
J. D. Haffey	40 E Broadway, Butte, MT 59701
M. J. Meldahl	40 E Broadway, Butte, MT 59701
J. P. Pederson	40 E Broadway, Butte, MT 59701

### **OFFICERS**

R. P. Gannon Chairman of the Board	40 E Broadway, Butte, MT 59701
J. D. Haffey Chief Executive Officer	40 E Broadway, Butte, MT 59701
M. J. Meldahl President and Chief Operating Officer	40 E Broadway, Butte, MT 59701
J. P. Pederson Vice President and Chief Financial Officer	40 E Broadway, Butte, MT 59701
P. J. Cole Vice President, Business Development	40 E Broadway, Butte, MT 59701
M. E. Zimmerman Vice President and General Counsel	40 E Broadway, Butte, MT 59701
E. M. Senechal Vice President and Treasurer	16 E Granite, Butte, MT 59701
D. S. Smith Controller	40 E Broadway, Butte, MT 59701
P. K. Merrell Secretary	40 E Broadway, Butte, MT 59701
E. J. Kindt Assistant Controller	40 E Broadway, Butte, MT 59701
R. M. Ralph Assistant Secretary	40 E Broadway, Butte, MT 59701

**EXHIBIT C**

Executive Directory and Profiles

**OFFICERS AND DIRECTORS OF TOUCH AMERICA,  
ENTECH, INC. AND MONTANA POWER**

Touch America, Inc.

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**DIRECTORS**

P. J. Cole  
R. P. Gannon  
M. J. Meldahl  
J. P. Pederson  
G. D. Wright  
D. J. Sullivan

**OFFICERS**

R. P. Gannon	Chairman of the Board
M. J. Meldahl	President and Chief Operating Officer
J. P. Pederson	Vice President and Chief Financial Officer
P. J. Cole	Vice President, Business Development
M. E. Zimmerman	Vice President and General Counsel
H. J. Freebourn	Treasurer
C. A. Giamona	Controller
P. K. Merrell	Secretary
E. J. Kindt	Assistant Controller
R. M. Ralph	Assistant Secretary
B. A. Street	Assistant Secretary

Entech, Inc.

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**DIRECTORS**

R. F. Cromer  
R. P. Gannon  
M. J. Meldahl  
J. P. Pederson  
E. M. Senechal

**OFFICERS**

R. P. Gannon	Chairman of the Board and Chief Executive Officer
R. F. Cromer	President
J. P. Pederson	Vice President and Chief Financial Officer
E. M. Senechal	Vice President and Treasurer
M. E. Zimmerman	Vice President and General Counsel
P. K. Merrell	Vice President and Secretary
D. S. Smith	Controller
E. J. Kindt	Assistant Controller
M. M. Crowe	Assistant Secretary
R. M. Ralph	Assistant Secretary

The Montana Power Company

---

**DIRECTORS**

T. H. Adams  
A. F. Cain  
J. G. Connors  
R. D. Corette  
D. D. McWhinney  
K. Foster  
R. P. Gannon  
J. R. Jester  
C. Lehrkind, III  
J. P. Pederson  
N. E. Vosburg

**OFFICERS**

R. P. Gannon	Chairman of the Board, President and Chief Executive Officer
J. P. Pederson	Vice Chairman, Chief Financial Officer
P. K. Merrell	Vice President, Human Resources and Secretary
M. E. Zimmerman	Vice President and General Counsel
W. S. Dee	Vice President, Marketing
P. J. Cole	Vice President, Corporate Business Development
E. M. Senechal	Treasurer
D. S. Smith	Controller
D. J. Sullivan	Chief Information Officer
H. J. Freebourn	Assistant Treasurer
E. J. Kindt	Assistant Controller
S. D. Breining	Assistant Secretary
R. M. Ralph	Assistant Secretary

**ENERGY SERVICES DIVISION**

J. D. Haffey	Executive Vice President and Chief Operating Officer
D. A. Johnson	Vice President, Distribution Services
W. A. Pascoe	Vice President, Transmission Services

**ENERGY SUPPLY DIVISION**

R. F. Cromer	Executive Vice President and Chief Operating Officer
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**TECHNOLOGY DIVISION**

M. J. Meldahl

Executive Vice President and Chief Operating  
Officer



## Executive Biographies



**Robert P. Gannon**  
**Chairman, President and CEO of The Montana Power Company and**  
**Chairman and CEO of Touch America**

Robert P. (Bob) Gannon is the chairman, president and chief executive officer of The Montana Power Company and chairman and CEO of Touch America. Before joining Montana Power in 1974 as an attorney, Bob had served two years as an Assistant Attorney General for the State of Montana, and another two and a half years as an Assistant U.S. Attorney for Montana.

For nine years, Bob was a staff attorney for Montana Power, with responsibilities that included work with the Montana Legislature. In 1983, he was named the corporation's assistant general counsel, then general counsel, and for five years, from 1984 to 1989, he was vice president and general counsel.

In 1990, Bob was selected as president of Montana Power's utility company, and elected to the Board of Directors. Two years later, he also was named chief operating officer. In January 1996, Bob was named vice chairman and president of The Montana Power Company. He was named chief executive officer July 1, 1997. Under the company's previously announced succession plan, Gannon became chairman January 1, 1998.

Under Gannon's direction Montana Power has been transforming itself from a vertically integrated electric and natural gas utility, with competitive businesses in energy and technology, into a telecommunications company.

Bob is a native of Butte, Montana, and a 1966 graduate of the University of Notre Dame with a bachelor's degree in government. He earned his law degree (Juris Doctor) in 1969 from the University of Montana, and he completed the Harvard Advanced Management Program in 1989.

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## Executive Biographies



**Michael J. Meldahl**  
**President and Chief Operating Officer of Touch America**

For more than 11 years Michael J. (Mike) Meldahl, President and Chief Operating Officer of Touch America, has successfully guided Montana Power's move into the competitive telecommunications business, which began in 1983.

Mike joined Telecommunications Resources Incorporated (TRI), MPC's first nonutility communications enterprise, in 1986. He subsequently moved TRI from a company that provided communications engineering, consulting and installation services on a contract basis into what is known today as Touch America, a full-service telecommunications company that has one of the largest fiber-optic networks in the country.

Mike is a native of Sidney, Montana. He earned a B.S. in civil engineering from Montana State University (MSU), Bozeman, in 1967 and added a MS in engineering from MSU in 1972. He then went to work for the State of Montana, where he helped establish and worked with computer systems for several state agencies.

He joined Montana Power in 1981 as manager of application programming in the company's computer department.

Meldahl held several assignments with increasing responsibility in Montana Power's computer department, including manager of computer and information systems, and in 1986, he was named president and chief operating officer of TRI, the predecessor company of Touch America.

In May 1996, he was named Vice President of Communication Services in Montana Power's Energy and Communications Services Division, and in December 1998, when telecom became a separate corporate business unit, he received his current title.

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## Executive Biographies



**Jerrold P. Pederson**  
**Vice Chairman and Chief Financial Officer of The Montana Power Company and Touch America's Vice President and CFO**

Jerrold "Jerry" Pederson is Touch America's vice president and chief financial officer. A native of Billings, Montana, he graduated from Billings Central High School and attended Gonzaga University, where he received a Bachelor of Business Administration (B.B.A.) in accounting in 1964. He joined The Montana Power Company March 8, 1965. While employed by MPC, Jerry attended the University of Idaho Executives' Course (1980) and Harvard University Advanced Management Program (1994).

From Junior Auditor in 1965, he became Senior Auditor in 1969, named Tax Accountant in 1976, and promoted to Manager of General Accounting in 1979. He was promoted to Assistant Controller in 1980 and Controller in 1982. In May of 1990, he was named Vice President, Corporate Finance and Controller and in 1991, Vice President and Chief Financial Officer of Montana Power and subsidiary companies, including Touch America. In July, 1993, Jerry was named to the MPC Board of Directors and in March 1996, Vice President, Chief Financial and Information Officer. He relinquished his CIO duties in 1999.

In March 2000, Pederson was named vice chairman and CFO of Montana Power with direct responsibility over the company's energy businesses, including the divestiture of those businesses in order to concentrate on Touch America. In July 2000, Touch America announced Pederson will retain his title as vice president and CFO during and after the corporate transition from Montana Power to Touch America.

[Top of page](#)



## Executive Biographies

### **Robert Cenek**

#### **Touch America's Vice President of Human Resources**

Bob Cenek is Touch America's vice president of Human Resources. With 20 years of experience in human resource management and organization development, he leads the company's compensation, benefits, labor relations, employment and training, and change management activities.

Prior to his joining Touch America in March 2000, Bob was executive director Human Resources for The Montana Power Company, a position he held since 1996. Cenek joined Montana Power in 1993 as executive assistant in organization development.

Cenek earned a Bachelor of Arts degree in economics in 1978 from the University of Northern Iowa at Cedar Falls, following military service in the U.S. Army. He joined Bristol-Myers Squibb in 1979 after graduating with an M.A in Industrial Relations from the University of Cincinnati. At Bristol-Myers Squibb, he progressed through a number of positions, and eventually became Manager of Training and Management Development for its corporate staff function in New York City.

In 1986, he joined General Mills in Minneapolis where he headed up training and organization development. While employed with General Mills, he helped lead the establishment of self-directed work teams in the company's 11 manufacturing plants.

In 1989, Cenek joined INTERMEC in Everett, Washington, a pioneer of bar code technology, also in a training and organizational development capacity, and in 1992, he joined John Fluke Manufacturing Company, also a high technology enterprise headquartered in Everett, where he consulted on total quality management and work culture change.

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## Executive Biographies

### **Perry J. Cole** **Touch America's Senior Vice President, Sales**

Perry J. Cole was named Touch America's senior vice president of sales in July 2000 with responsibilities for wholesale, commercial and residential sales.

Prior to this assignment he was Touch America's vice president of business development, focusing on the telecommunications company's rapid growth and business opportunities.

Previously, Cole was vice president of corporate business development for Montana Power, which he joined in 1980 as an accountant. He has worked with the corporation's budget and financial planning department -- as manager of Budget and Financial Planning, first for Western Energy, a Montana Power coal mining subsidiary, and later for the regulated electric and natural gas utilities. Cole then became manager of Financial Planning and Analysis in Montana Power's Office of the Corporation.

In 1992, Cole was promoted to assistant treasurer for the utility with additional responsibilities for planning, and a year later was promoted to treasurer. When Montana Power restructured in early 1996, Cole was named vice president of Business Development and Regulatory Affairs. He was named vice president of Corporate Business Development in June 1999.

With Montana Power's decision on March 28, 2000 to focus on Touch America as its future growth engine and to divest all of its energy businesses, Cole was named Touch America's vice president of Business Development.

He is a native of Havre, Montana, where he attended local schools. He graduated from the University of Montana in 1979 with both a bachelor and master's degrees in business administration, with a concentration in finance. He worked for one year with First Bank System in Minneapolis before joining MPC.

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## Executive Biographies

### **Kevin P. Dennehy** **Touch America's Venture Integration Vice President**

As the vice president of Venture Integration for Touch America, Kevin P. Dennehy currently is responsible for insuring the integration of all new acquisitions, mergers and partnerships into Touch America's core business units

Kevin started working for Touch America in 1989 as a marketing representative. He later was promoted to director of Marketing and Sales where he oversaw all the sales and marketing activities for Touch America's Long Distance and Private Line services. Prior to joining Touch America, he worked for National Center for Appropriate Technology in Butte, Montana.

A Butte, Montana, native, Dennehy earned a Bachelor of Science Degree in Business Finance in 1886 from the Montana College of Mineral Science and Technology in Butte. In 1997, he earned a Masters of Business Administration from the University of Montana in Missoula.

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## Executive Biographies

### **Liza L. Dennehy** **Touch America's Vice President, Wireless Solutions**

Liza L. Dennehy, Touch America's vice president, Wireless Solutions, is responsible for all of Touch America's wireless endeavors, which includes managing the build-out and establishment of Touch America's wireless services, whether independently or with partners. In the interim, she also will manage the data product solutions offerings, including asynchronous transfer mode (ATM), frame relay, and wide area network (WAN) and local area network (LAN) products.

She serves as chairman of the board for Wireless North, and is executive vice president and serves on the board of managers for TW Wireless, LLC. Touch America has an ownership interest in each of these companies, both of which provide personal communications services in separate areas of the Pacific Northwest, Rocky Mountain, and Upper Midwest states.

Dennehy is a native of Butte, Montana. She attended Montana College of Mineral Science and Technology, where she received a Bachelor of Science in computer science in 1988. She earned a Masters of Business Administration from the University of Montana in 1998. Dennehy brings to Touch America extensive computer and networking experience, along with proven business development expertise.

Dennehy joined Montana Power in 1984 as a programmer in training, working in the Information Services Department. Upon graduation from college, she became a user support analyst, heading the team of programmers and network specialists who provided support for payroll, personnel, engineering and accounting systems as well as managing a 200-person local area network.

In 1994, Dennehy transferred to Continental Energy Services, Inc., MPC's independent power subsidiary, where she was director, business development, responsible for evaluating national and international project opportunities, and leading and managing development teams in the pursuit of investments in the independent power arena. Dennehy joined Touch America in 1998 as general manager of local access, and was named Touch America's vice president, data and wireless solutions in July 2000.

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## Executive Biographies

### **Patrick T. Fleming** **Touch America's Vice President and General Counsel**

Patrick T. Fleming is Touch America's top legal executive, assuming responsibility for Touch America's legal, governmental, and regulatory affairs. Prior to joining Touch America, he was a Montana Power Company attorney for 16 years, the last six assistant general counsel. He brings to Touch America a broad base of experience in contracts, employment law, litigation, and business transactions.

As an attorney for Montana Power, Fleming initially focused on employment law, and later moved into litigation. More recently his duties were expanded to include contracts and transactions for the nonutility energy supply businesses.

Prior to joining Montana Power in 1984, Fleming was a clerk for the Montana Supreme Court, served as staff attorney for the U.S. Government in Billings, Montana, and was chief deputy county attorney for Butte-Silver Bow.

Fleming is a native of Butte, Montana, where he graduated from Butte Central High School in 1971. He received a Bachelor of Science degree in Business Administration from the University of Montana in 1975, and graduated with honors from The Gonzaga Law School in 1978 where he earned a Juris Doctorate law degree.

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## Executive Biographies

### **Cortlandt L. (Cort) Freeman** **Touch America's Vice President, Corporate Communication**

Cortlandt L. (Cort) Freeman is Touch America's vice president of Corporate Communication, overseeing corporate public and media relations, employee communications, editorial services, the annual report and the company's Intranet, among other duties.

Freeman joined Montana Power, the parent company of Touch America, in 1983 as a writer. He became editor of company publications and then manager of media relations, later adding editorial and audiovisual services to his duties. He was named Montana Power's director of Corporate Communication in 1997 and was appointed to his current post in early 2001.

Before coming to Touch America, Freeman was a general assignment reporter for Colorado's Aspen Illustrated News and the Rocky Mountain News, where he concentrated on covering business and government. He has also been the Northern Rocky Mountain correspondent for Reuters News Service and numerous other news, business and outdoor sports publications. Freeman has also worked in real estate development and oil and gas businesses.

A native of Denver, Freeman earned a bachelor's degree in biology at Fairfield University, Connecticut, and attended the Public Utility Executives Course at the University of Idaho.

Freeman has authored several books, including one on cross-country skiing for Sports Illustrated, a travel guide to Southwestern Montana, and a 100-year history of Bozeman, Montana, to celebrate the Montana Centennial.

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## Executive Biographies

### **Dan L. Gay** **Touch America's Vice President and Chief Marketing Officer**

Dan L. Gay, vice president and chief marketing officer, brings 15 years of sales and marketing experience in the telecommunications industry to Touch America.

Gay began his career with MCI Telecommunications where he started as an Account Executive in 1985, then was promoted to various management positions, becoming a national account director for the West Region in 1997. He joined Qwest Communications in 1999 as regional vice president, providing direction for sales, service, technical support, and finance in a 16-state region.

Gay joined Touch America in July 2000 and is responsible for marketing, brand and image, and advertising, positioning and enhancing Touch America's brand awareness in the marketplace through product packaging and sales promotions. His additional responsibilities include creating motivational programs, incentives, and recognition for the sales staff in a way that allows individuals to excel while meeting the goal of increased revenues for Touch America.

A native of Colorado Springs, Colorado, Gay earned a Bachelor of Science degree in Marketing and Advertising in 1984 from Arizona State University in Tempe, Arizona.

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## Executive Biographies

### **Patrick M. Hogan** **Touch America's Vice President of Interconnect Solutions**

Patrick M. (Pat) Hogan, is Touch America's vice president of Interconnect Solutions with responsibilities for product research, product pricing, vendor relations, application solutions, sales support, training and education, sales engineering, customer retention, materials management, project management, and design implementation.

He joined Touch America in 1989 and has held positions in marketing, network planning, engineering, regulatory and legislative affairs, and general management. Prior to that he worked for the state of Montana's Telecommunications Bureau in Helena.

A native of Corning, Iowa, Hogan attended Iowa State University in Ames earning an engineering degree in 1978. He also attended George Washington University School of Engineering in Washington DC.

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## Executive Biographies

### **Steven Maederer**

#### **Touch America's Vice President of Broadband and Wholesale Sales**

Steven Maederer is Touch America's Vice President of Broadband and Wholesale Sales. Steven has 15 years of experience in telecommunications sales and marketing. He leads the company's efforts in broadband sales solutions and meeting wholesale customer requirements, and he is responsible for developing Touch America's Bandwidth Trading Department.

Prior to joining Touch America in May 2000, Steven was National Sales Manager for Alcoa Fujikura, Ltd., a leading supplier of fiber optic cable and fiber solutions. While at Alcoa, he led partnership programs between telecommunications carriers and electric utilities as well as managed direct and representative sales forces. Before Alcoa, Maederer was Regional Sales Manager for Photon Kinetics in Beaverton, Oregon, a manufacturer of fiber optic test equipment.

Maederer served in the United States Navy from 1980 to 1984 where his primary duties involved diving and demolition. He attended Portland Community College and the University of Portland.

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## Executive Biographies

### **George D. Paul** **Touch America's Vice President Customer Service**

George D. Paul, Touch America's vice president Customer Service, currently has responsibilities for all customer service administration, sales support, and customer billing for Touch America. He started with Touch America in 1988 and has held the following positions of increasing responsibility: general manager Intermountain Digital Network, then common carrier services, and finally network services, before being promoted to executive director of Marketing and Sales, the position he held when named vice president of customer service.

Starting with Montana Power in 1980, Paul worked as a training specialist, labor relations coordinator and labor relations director. Prior to joining Montana Power, Paul worked for the in city-county government as a project coordinator involved in labor relations, public works and special projects.

He has been an adjunct instructor in marketing and business at Montana Tech of the University of Montana, Butte, and is active in civic organizations, including educational and sports organizations.

Paul is a native of Butte, Montana, where he attended local schools. He also attended the University of Montana in Missoula from where he earned a Bachelor of Arts degree in business administration in 1976 and a Masters of Business Administration in 1978.

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## Executive Biographies

### **Kimberly (Kim) Rowell** **Touch America's Vice President, Products**

As Touch America's vice president – Products, Kimberly (Kim) Rowell oversees voice, data, video transport and customer premise interconnect products, as well as wireless applications, for Touch America's wholesale, commercial and consumer segments.

Rowell joined Touch America in June 2000 as vice president of IP Voice and Products, with responsibility for rolling out the company's advanced IP network. Before joining Touch America, she was with Qwest Communications International, first as manager of sales engineers, providing technical support for data products, and later as director of Internet hosting, collocation services, and customer connection support.

Rowell spent ten years with AT&T, joining that company in 1988 as manager of network engineering for long-haul voice and data services. She later held senior management positions in AT&T's Network Operating Center; product integration, global customer accounts and data transport sales.

Rowell is a native of Excelsior Springs, Missouri and earned a BS in electrical engineering from the University of Missouri.

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## Executive Biographies

### **Rita Spear**

#### **Touch America's Vice President, Networks**

Rita Spear oversees all of Touch America's fiber-optic and wireless network activities after serving as executive director of engineering. She brings to Touch America extensive project management experience in scheduling, budgeting, equipment ordering, automation engineering and layout, control algorithms, testing, and field installation.

She joined Tetragenics, an affiliate of Touch America, in 1993 as an engineer. She assumed increasing responsibilities, eventually becoming manager of Tetragenics in 1996. She was named executive director of corporate services for Touch America/Tetragenics in 1999, and then became executive director of engineering for Touch America in January 2000.

In July 2000, Spear was named Touch America's vice president, networks, with responsibility for network construction, operation and installation.

Spear is a native of Butte, Montana. She earned a Bachelor of Science in computer science from Montana College of Mineral Science and Technology in 1985 and added an MS in computer science from Montana State University in 1992.

Spear has been an adjunct computer science instructor at Montana Tech, Butte, and is currently on the Industry Advisory Board for the Computer Science and General Engineering Departments.

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## Executive Biographies

### **Daniel J. (Dan) Sullivan** **Touch America's Chief Information Officer**

Daniel J. (Dan) Sullivan has been with Montana Power, Touch America's parent company, since 1977. He was named Montana Power's chief information officer in May 1999 and Touch America's CIO in September 2000.

Sullivan will hold both titles until the divestiture of Montana Power's energy companies is completed in the second quarter of 2001, at which time Touch America will become a stand-alone telecommunications company.

In his 24 years with Montana Power, Sullivan has served as a computer programmer, manager of programming, manager of systems planning and development, and manager of computer and information services. In 1996, when Montana Power consolidated its business unit and administrative functions, he was named executive director of Information Services. Three years later, he was chosen to oversee the company's administrative business service center and then was named Montana Power's chief information officer.

Sullivan is a member of several professional, industry-related information technology councils, including those of the Edison Electric Institute, the American Gas Association and the Western Electric Power Institute.

He is also active in educational, civic and fraternal organizations. He serves on the University of Montana's Alumnae Board of Directors and Grizzly Athletic Association. He is also a member of the Butte-Silver Bow Chamber of Commerce and the Knights of Columbus in Butte, Montana.

A native of Butte, Sullivan graduated from the University of Montana in 1977 with a bachelor of science degree in computer science. In March 1999, he earned a master of science degree in management information systems from Kennedy Western University, Wyoming.

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## Executive Biographies

### **Michael E. (Mike) Zimmerman Touch America's Vice President, Business Development**

Michael E. (Mike) Zimmerman, Touch America's vice president, Business Development, is responsible for the company's merger, acquisition and equity investment activities. As an attorney, he has more than 20 years of corporate experience and more than 10 years of that at the vice president and general counsel level. He has been associated with Touch America from its earliest years.

Zimmerman joined Montana Power (Touch America's parent) in 1980 after a summer legal internship with the company in 1979. During his tenure with the company, he has served as a legislative attorney, worked with water rights and environmental concerns, focused on natural gas issues and assisted with work before the Montana Public Service Commission. He has worked closely with Montana Power's non-utility companies, especially as an attorney for its oil and gas business. He was named general counsel for the corporation in January 1990 and a vice president of the utility in 1991.

For the past four years, he has worked to assist in the divestiture of Montana Power's energy businesses and its generation assets, as the company transforms itself from a diversified utility into a stand-alone broadband information transport company.

Zimmerman was named Touch America's vice president, Business Development in September 2000, but he will remain Montana Power's vice president and general counsel until the completion of all energy business divestiture transactions.

A native of Newcastle, Wyoming, Zimmerman grew up in Glendive, Montana. He attended Montana State University on a U.S. Army scholarship, graduating with a degree in English. He then spent five years in the U.S. Army, rising to the rank of captain.

Zimmerman was a two-term board member and past president of the Butte-Silver Bow Chamber of Commerce. He currently serves on the board of directors of St. James Healthcare in Butte.

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**EXHIBIT D**

Touch America, Inc.'s Financial Reports

# Financial Statements



December 31, 1999

**TOUCH AMERICA, INC.**

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**Report of Independent Accountants**

To the Board of Directors of  
Touch America, Inc.

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of Touch America, Inc. at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As more fully discussed in Note 1 to the financial statements, as of July 1, 1999, the Company changed its method of accounting for dark fiber transactions.

*PricewaterhouseCoopers LLP*

May 3, 2000

# TOUCH AMERICA, INC.

## BALANCE SHEET

### ASSETS

	December 31	
	1999	1998
	(Thousands of Dollars)	
<b>Current assets:</b>		
Cash and cash equivalents.....	\$ 35	\$ 118
Accounts and notes receivable:		
Trade, net of allowance for doubtful accounts.....	20,021	6,769
Related parties .....	4,527	30,536
Inventory .....	4,167	3,350
Deferred income taxes .....	1,082	4,107
Prepaid expenses and other assets .....	601	556
	30,433	45,436
<b>Other assets:</b>		
Investments.....	39,690	30,895
Other.....	218	395
	39,908	31,290
 Deferred income taxes .....	 96,491	 -
<b>Property, plant, and equipment:</b>		
Land.....	579	476
Buildings and structures .....	3,762	3,053
Fiber-optic network.....	48,995	52,503
Communications equipment.....	55,195	51,804
Office furniture and equipment.....	1,182	825
Vehicles .....	684	586
Construction work-in-progress .....	129,772	15,431
	240,169	124,678
Less - accumulated depreciation and amortization.....	21,360	12,314
	218,809	112,364
	\$ 385,641	\$ 189,090

The accompanying notes are an integral part of these financial statements.

# TOUCH AMERICA, INC.

## BALANCE SHEET

### LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31	
	1999	1998
	(Thousands of Dollars)	
<b>Current liabilities:</b>		
Accounts payable:		
Trade.....	\$ 29,241	\$ 6,103
Related parties .....	55,345	107,051
Income taxes payable.....	23,233	5,270
Deferred revenue .....	25,479	1,039
Other.....	157	7
	<u>133,455</u>	<u>119,470</u>
<b>Deferred credits and long-term liabilities:</b>		
Deferred revenue .....	215,195	15,734
Deferred income taxes .....	-	2,300
Other deferred credits.....	164	56
	<u>215,359</u>	<u>18,090</u>
<b>Commitments and contingencies</b>		
<b>Shareholder's equity:</b>		
Common stock, (no par value; 50,000 shares authorized; 430 shares issued and outstanding) .....	43	43
Additional paid-in capital .....	9,654	9,654
Retained earnings, per accompanying statement.....	27,130	41,833
	<u>36,827</u>	<u>51,530</u>
	<u>\$ 385,641</u>	<u>\$ 189,090</u>

The accompanying notes are an integral part of these financial statements.

## TOUCH AMERICA, INC.

### STATEMENT OF INCOME AND RETAINED EARNINGS

	Year Ended December 31	
	1999	1998
	(Thousands of Dollars)	
<b>Revenues:</b>		
Revenues from operations .....	\$ 83,080	\$ 87,592
Earnings from equity investments .....	10,435	10,758
	93,515	98,350
<b>Operating expenses:</b>		
Operations and maintenance .....	33,367	26,044
Selling, general, and administrative .....	11,708	11,327
Taxes other than income taxes .....	3,762	3,203
Depreciation and amortization.....	9,046	6,953
	57,883	47,527
<b>Income from operations .....</b>	<b>35,632</b>	<b>50,823</b>
<b>Other income – net .....</b>	<b>627</b>	<b>819</b>
	36,259	51,642
<b>Income before income taxes .....</b>	<b>36,259</b>	<b>51,642</b>
<b>Income taxes .....</b>	<b>13,962</b>	<b>20,392</b>
	22,297	31,250
<b>Net income .....</b>	<b>22,297</b>	<b>31,250</b>
<b>Retained earnings, beginning of year .....</b>	<b>41,833</b>	<b>10,583</b>
<b>Dividends paid .....</b>	<b>(37,000)</b>	<b>-</b>
<b>Retained earnings, end of year .....</b>	<b>\$ 27,130</b>	<b>\$ 41,833</b>

The accompanying notes are an integral part of these financial statements.

# TOUCH AMERICA, INC.

## STATEMENT OF CASH FLOWS

	Year Ended December 31	
	1999	1998
	(Thousands of Dollars)	
<b>Net cash flows from operating activities:</b>		
Net income .....	\$ 22,297	\$ 31,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	9,046	6,953
Deferred income taxes.....	(95,766)	(6,211)
Earnings from equity investments .....	(10,435)	(10,758)
Changes in assets and liabilities:		
Accounts and notes receivable – trade.....	(13,252)	1,519
Accounts and notes receivable – related parties.....	26,009	(28,954)
Inventory.....	(817)	(427)
Accounts and taxes payable – trade.....	23,138	(1,134)
Accounts and taxes payable – related parties.....	(51,706)	41,093
Income taxes payable .....	17,963	5,225
Deferred revenue.....	233,368	(2,441)
Other assets and liabilities .....	390	803
Net cash provided by operating activities.....	160,235	36,918
<b>Net cash flows from investing activities:</b>		
Capital expenditures.....	(115,491)	(31,011)
Investment in partnerships.....	(26,141)	(5,910)
Distributions from investments.....	18,314	-
Net cash used for investing activities.....	(123,318)	(36,921)
<b>Net cash flows from financing activities:</b>		
Dividends paid.....	(37,000)	-
Net cash used for financing activities.....	(37,000)	-
Net decrease in cash and cash equivalents.....	(83)	(3)
Cash, beginning of year .....	118	121
Cash, end of year.....	\$ 35	\$ 118
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during year for:		
Income taxes .....	91,765	21,378

The accompanying notes are an integral part of these financial statements.

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# **TOUCH AMERICA, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **NATURE OF BUSINESS**

Touch America, Inc. is a wholly owned subsidiary of Entech, Inc. (Entech), which is a wholly owned subsidiary of The Montana Power Company (Montana Power). We are a fully integrated telecommunications company providing private-line, long-distance, Internet, and other telecommunications products and services. We design, develop, construct, own, operate, maintain, and manage a fiber-optic network and wireless facilities. Our fiber-optic network spans 14 states and consists of approximately 11,000 operational and approximately 12,000 under-construction route miles at the end of 1999. We either hold title to, or have contractual fiber-use rights in, these route miles. The fiber-use rights are granted through Indefeasible Rights-of-Use (IRU) agreements, which allow the holder sole use of the route.

We are focused on expanding our fiber-optic network and increasing network traffic through a combination of relationships with major customers (large-volume commercial or wholesale customers), investments with third parties, and acquisitions. We provide wholesale services through leases of lit (fully operational) or dim (regeneration equipment but no optical equipment) fiber capacity, and dark (no optical or regeneration equipment) fiber-use rights to other telecommunications companies. We are able to create the "last-mile" connection with our Personal Communication Services (PCS) and Local Multi-Point Distribution Services (LMDS) technologies, which allow us to connect our customers to our fiber network via wireless applications.

We have four divisions: 1) private-line services division, which through our broadband fiber network, provides dedicated voice, data, video, ATM, and frame-relay services, and leases network capacity to other telecommunications companies principally through IRU agreements; 2) long-distance services division, which provides retail, wholesale, carrier, and Internet services; 3) equipment services division, which installs and maintains digital switching equipment, ready for complete integration into networks, the Internet, voice messaging, call centers, and e-business; and 4) local-access services division, which provides wireless services to create "last-mile" connections to customers through our PCS and LMDS technologies.

We have staffed offices in Minneapolis, Minnesota; Fargo, North Dakota; Billings, Bozeman, Helena, Butte, Great Falls, Kalispell, and Missoula, Montana; Boise, Idaho; Spokane and Seattle, Washington; Portland and Eugene, Oregon; Casper, Wyoming; and Denver, Colorado.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Accounting and Use of Estimates**

Our accounting policies and preparation of these financial statements conform with Generally Accepted Accounting Principles, which require the use of estimates based on information available. Actual results may differ from our accounting estimates as new events occur or we obtain additional information.

##### **Cash and Cash Equivalents and Temporary Investments**

We consider all liquid investments with original maturities of three months or less as cash equivalents, and investments with original maturities over three months and up to one year as temporary investments.

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):**

**Accounts Receivable**

Accounts receivables are presented net of allowance for doubtful accounts of \$744,000 in 1999 and \$540,000 in 1998. We evaluate and provide for our allowance for doubtful accounts based upon a percentage of historical revenues.

**Inventory**

We state our inventory at cost, as determined on an average-cost basis, which does not exceed market value. Inventory consists primarily of materials held for resale, partially assembled components, and material used in the maintenance of our fiber-optic network. When appropriate, we have made provisions to reduce obsolete or unusable inventory to estimated useful or scrap values.

**Property, Plant, and Equipment**

We record property, plant, and equipment at cost. We charge maintenance and repairs to operations expense as incurred, and we capitalize improvements. We classify costs associated with uncompleted portions of our fiber-optic network as construction work in progress and, upon completion, classify the costs as network systems. For joint-build construction contracts, we record the total costs of construction reduced by reimbursements received, resulting in a net cost of the asset constructed. We record exchanges of fiber-use rights (swaps) as the cost of the asset transferred plus cash paid, if any, or, if cash is received, as the cost of the asset transferred less cash received. We recognize gains or losses upon the sale or disposition of property, plant, and equipment.

We depreciate and amortize our property, plant, and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Classification</u>	<u>Years</u>
Buildings and structures	30
Fiber-optic network	20
Communications equipment	10
Office furniture and equipment	5
Vehicles	5

**Asset Impairment**

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," we periodically review long-lived assets for impairment whenever events or changes in circumstances indicate that we may not recover the carrying amount of an asset.

**Deferred Revenues**

We defer revenues to account for the timing differences between when a customer is billed and revenues are earned and reflect these amounts on the Balance Sheet in "Deferred Revenue." We classify the current portion of these amounts as "Current Liabilities" on the Balance Sheet. For further information on our deferred revenues, see Note 4, "Deferred Revenue."

**Fair Value of Financial Instruments**

We have estimated the fair value of our financial instruments using available market information and appropriate valuation methodologies in accordance with Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments." All of our material financial instruments, mainly current assets and liabilities, are recognized on the Balance Sheet as of December 31, 1999 and 1998. The value reflected on the Balance Sheet (carrying value) approximates fair value for our financial assets and liabilities as they have short maturities or are invested in financial instruments with short maturities.

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):**

**Revenue and Expense Recognition**

We record revenues monthly on the basis of consumption or service rendered. To match revenues with associated expenses, we accrue unbilled revenues for services delivered to customers but not yet billed at month-end.

In conjunction with our efforts to expand our fiber-optic network, we entered into agreements to grant and exchange fiber-use rights, principally through IRU agreements. Prior to July 1, 1999, we recognized revenues of fiber-use rights that qualified for sales-type lease accounting at the time of delivery and acceptance of the dark fiber by the customer. For those transactions, we determined cost of revenue by allocating the total estimated costs of the network to the specific fibers granted to the customer.

We have changed our revenue recognition policy, effective July 1, 1999, with the Financial Accounting Standards Board issuance of Interpretation No. 43, "Real Estate Sales," an Interpretation of Statement of Financial Accounting Standards No. 66. This interpretation was effective for transactions entered into after June 30, 1999 and requires entities to recognize revenues on fiber-use right agreements, or similar agreements, over the period of the agreement rather than at the time of execution if title to the fiber does not transfer to the customer by the end of the agreement term. In granting fiber-use rights, therefore, we record these transactions as operating leases and recognize revenues over the term of the agreement. The effect of this change in accounting resulted in approximately \$7,000,000 of revenues that we did not record in 1999 from fiber-use right transactions entered into after June 30, 1999.

**Income Taxes**

We are included in the consolidated federal income tax return of Montana Power. However, income tax expense is provided as if we filed a separate consolidated income tax return. The provision for income taxes includes both amounts payable currently as well as amounts deferred as a result of differences between the financial reporting basis and tax basis of our assets and liabilities.

Deferred income taxes are provided for temporary differences that are reported in different years for financial accounting and income tax purposes. The deferred income taxes are calculated using the income tax rates which will be in effect when the temporary differences reverse. For additional information on income taxes, see Note 3, "Income Taxes."

**Regulatory**

In providing interstate telecommunications services, we comply with federal telecommunications laws and regulations prescribed by the Federal Communications Commission. At the state level, we are subject to regulations by the various state public service commissions. We do not expect actions by these regulatory agencies to adversely affect our operations.

**NOTE 2 – INVESTMENTS:**

We record our initial investment at cost and have accounted for these investments under the equity method because we maintain a 20 to 50 percent ownership interest, or we otherwise have the ability to exercise significant influence over the financial and operating policies. Our investments consist of the following:

	December 31	
	1999	1998
	(Thousands of Dollars)	
FTV Communications LLC (FTV) .....	\$ 16,355	\$ 30,565
TW Wireless LLC (TWW).....	13,626	-
Northern Colorado Telecommunications LLC .....	9,276	-
Other investments .....	433	330
	<b>\$ 39,690</b>	<b>\$ 30,895</b>

**FTV:** In 1997, we formed a company with Williams Communications, Inc. and Enron Broadband Services to construct, own, operate, and maintain an approximately 1,700-mile fiber-optic network from Portland to Los Angeles.

**TWW:** In August 1999, we and US WEST Wireless formed a company to provide "one-number" wireless telephone service in an eight-state region of the Pacific Northwest and Upper Midwest. That service provides a customer with one directory number for PCS phone and home or business phone.

**Northern Colorado Telecommunications LLC:** In August 1999, we and New Century Energies (NCE) formed a company to provide a full range of telecommunication services, including private-line service, to enterprises in the Denver metropolitan area by the middle of 2000.

**Iowa Telecommunications Services, Inc. (ITS):** In June 1999, we and Iowa Network Services, Inc. (INS) formed ITS. ITS plans to will purchase from a third party 280,422 domestic access lines connected to 296 telephone exchanges in Iowa. As of December 31, 1999, we did not record an initial investment in ITS as we have not made our initial equity contribution. However, in 1999, we did loan ITS approximately \$2,700,000 which is payable to us upon demand. See Note 9, "Subsequent Events," for additional discussion regarding our investment.

**NOTE 3 - INCOME TAXES:**

Income taxes charged (credited) to income are as follows:

	Year Ended December 31	
	1999	1998
	(Thousands of Dollars)	
<b>Current</b>		
Federal .....	\$ 93,560	\$ 22,414
State .....	16,168	4,189
	<u>109,728</u>	<u>26,603</u>
<b>Deferred</b>		
Federal .....	(81,403)	(5,237)
State .....	(14,363)	(974)
Total deferred .....	<u>(95,766)</u>	<u>(6,211)</u>
Total provision .....	\$ <u>13,962</u>	\$ <u>20,392</u>

Deferred income taxes liabilities (assets) are comprised of the following:

	December 31	
	1999	1998
	(Thousands of Dollars)	
Plant - depreciation, amortization, and dispositions .....	\$ 5,329	\$ 3,887
Other temporary differences .....	3,963	93
Gross deferred tax liabilities .....	<u>9,292</u>	<u>3,980</u>
Tax revenues .....	(105,080)	(1,066)
Book revenues .....	(965)	(3,987)
Book expenses .....	(820)	(734)
Gross deferred tax assets .....	<u>(106,865)</u>	<u>(5,787)</u>
Net deferred assets .....	\$ <u>(97,573)</u>	\$ <u>(1,807)</u>

Expected income taxes, calculated by multiplying net income before income taxes by the United States income tax rates of 35 percent, are reconciled to actual income taxes as follows:

	Year Ended December 31	
	1999	1998
	(Thousands of Dollars)	
Expected income taxes .....	\$ 12,691	\$ 18,075
Adjustments for the tax effects of:		
State income taxes net of federal benefit .....	1,227	2,305
Other .....	44	12
Actual income taxes .....	\$ <u>13,962</u>	\$ <u>20,392</u>

**NOTE 3 – INCOME TAXES (CONTINUED):**

Deferred income taxes consist of the following:

	Year Ended December 31	
	1999	1998
	(Thousands of Dollars)	
Depreciation and amortization.....	\$ 1,442	\$ 620
Deferred revenues .....	(100,993)	(6,620)
Deferred expenses.....	(78)	(309)
State .....	3,863	98
	<u>\$ (95,766)</u>	<u>\$ (6,211)</u>

**NOTE 4 – DEFERRED REVENUE:**

Deferred revenue for 1999 relates primarily to a \$257,000,000 prepayment received in January 1999, representing all amounts due for the remaining initial term (twelve years) of a telecommunications contract. We are recognizing this revenue ratably over the remaining term of the contract.

**NOTE 5 – CONCENTRATION OF CREDIT RISK AND SIGNIFICANT CUSTOMERS:**

Because we derive a portion of our revenues from services provided to other telecommunications companies, we have some concentration of credit risk among our customer base. We perform ongoing credit evaluations of the financial condition of our larger customers, but we have not required significant collateral to support our receivables.

A small number of customers account for a significant amount of our total revenues. For the years ended December 31, 1999 and 1998, the customer that exercised the prepayment option in January 1999, discussed in Note 4, represented approximately 24 percent and 46 percent of our total revenues, respectively.

**NOTE 6 – RETIREMENT PLANS:**

Under Montana Power's Pension Plan, we maintain trustee, noncontributory retirement plans covering substantially all of our employees. Prior to 1998, retirement benefits were based on salary, years of service, and social security integration levels. In 1998, the retirement plan's benefit provisions were amended, and retirement benefits are now based on salary, age, and years of service.

Plan assets consist primarily of domestic and foreign corporate stocks, domestic corporate bonds, and United States Government securities.

Certain senior management executives participate in an unfunded, nonqualified Montana Power benefit plan. In December 1998, benefits earned were frozen, and this plan was curtailed.

Under Montana Power's Flexible Benefits Plan, we provide certain health care and life insurance benefits for eligible retired employees.

In conjunction with the retirement plan, we have a voluntary retirement savings plan. We contribute a matching percentage comprised of shares from a leveraged Employee Stock Ownership Plan arrangement and shares purchased on the open market.

**NOTE 6 - RETIREMENT PLANS (CONTINUED):**

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 1999, and a statement of the funded status as of December 31 of both years, relating to our employees and retirees:

	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
	(Thousands of Dollars)			
<b>Change in benefit obligation:</b>				
Benefit obligation at January 1.....	\$ 2,043	\$ 1,545	\$ 246	\$ 207
Service cost on benefits earned.....	236	163	35	33
Interest cost on projected benefit obligation.....	153	119	19	17
Plan amendments.....	-	401	-	8
Actuarial gain.....	(515)	(185)	(52)	(19)
Gross benefits paid.....	(21)	-	-	-
Benefit obligation at December 31.....	<u>\$ 1,896</u>	<u>\$ 2,043</u>	<u>\$ 248</u>	<u>\$ 246</u>
<b>Change in plan assets:</b>				
Fair value of plan assets at January 1.....	\$ 1,366	\$ 1,179	\$ -	\$ -
Actual return on plan assets.....	90	187	-	-
Gross benefits paid.....	(21)	-	-	-
Fair value of plan assets at December 31.....	<u>\$ 1,435</u>	<u>\$ 1,366</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of funded status:</b>				
Funded status at end of year.....	\$ (461)	\$ (677)	\$ (248)	\$ (246)
Unrecognized net:				
Actuarial gain.....	(892)	(424)	(115)	(74)
Prior service cost.....	399	433	25	27
Transition obligation.....	15	18	55	59
Net amount recognized at December 31.....	<u>\$ (939)</u>	<u>\$ (650)</u>	<u>\$ (283)</u>	<u>\$ (234)</u>

An accrued pension benefit cost of \$939,000 and \$650,000 and an accrued other benefit cost of \$283,000 and \$234,000 for the years 1999 and 1998, respectively, were recognized on the Balance Sheet.

The following tables provide the components of net periodic benefit cost for the pension and other postretirement benefit plans, for fiscal years 1999 and 1998:

	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
	(Thousands of Dollars)			
Service cost on benefits earned.....	\$ 236	\$ 163	\$ 35	\$ 33
Interest cost on projected benefit obligation.....	153	119	19	17
Expected return on plan assets.....	(122)	(106)	-	-
Amortization of:				
Transition obligation.....	3	3	4	4
Prior service cost.....	34	34	2	2
Actuarial gain.....	(15)	(8)	(2)	(3)
Net periodic benefit cost.....	<u>\$ 289</u>	<u>\$ 205</u>	<u>\$ 58</u>	<u>\$ 53</u>

**NOTE 6 - RETIREMENT PLANS (CONTINUED):**

The following assumptions were used in the determination of actuarial present values of the projected benefit obligations:

	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
Weighted average assumptions as of December 31				
Discount rate .....	7.75%	6.75%	7.75%	6.75%
Expected return on plan assets.....	9.00%	9.00%	9.00%	9.00%
Rate of compensation increase .....	4.40%	3.75%	4.40%	3.75%

Assumed health care costs trend rates have a significant effect on the amounts reported for the health care plans. A change in assumed health care cost trend rates of one percent would have the following effects:

	1% Increase	1% Decrease
	(Thousands of Dollars)	
Effect on total of service and interest cost component of net periodic postretirement health care benefit cost.....	\$ 2	\$ (2)
Effect on the health care component of the accumulated postretirement benefit obligation.....	10	(9)

The assumed 2000 health care cost trend rates used to measure the expected cost of benefits covered by the plans is seven percent. The trend rate decreases through 2004 to five percent.

## NOTE 7 – RELATED PARTY TRANSACTIONS:

### Receivables and Payables

Related party receivables primarily result from either services we provide to, or payments we make on behalf of, our affiliated companies and joint ventures. Related party payables primarily result from services that we receive from our affiliated companies and joint ventures.

	December 31	
	1999	1998
	(Thousands of Dollars)	
Accounts and notes receivable – Montana Power.....	\$ 211	\$ 180
Accounts and notes receivable – Entech.....	1,008	1,799
Accounts and notes receivable – FTV.....	-	28,519
Accounts and notes receivable – TWW.....	315	-
Accounts and notes receivable – ITS.....	2,953	-
Accounts and notes receivable – Other.....	40	38
	<u>\$ 4,527</u>	<u>\$ 30,536</u>
Accounts payable – Montana Power.....	\$ 1,007	\$ 776
Accounts payable – Entech.....	46,404	105,815
Accounts payable – Northern Colorado Telecommunications LLC.....	7,772	-
Accounts payable – Other.....	162	460
	<u>\$ 55,345</u>	<u>\$ 107,051</u>

### Related Party Revenues and Interest Income

During 1999 and 1998, revenues from telecommunications services provided to affiliated companies totaled approximately \$768,000 and \$849,000, respectively. In addition, during 1999 and 1998, we earned approximately \$613,000 and \$969,000, respectively, of interest income from outstanding notes receivables from affiliated companies.

### Shared Administrative Services

We receive general and administrative services from Montana Power Services Company, a wholly owned subsidiary of Entech. Our direct and allocated expenses incurred for these services were approximately \$1,995,000 and \$1,119,000 in 1999 and 1998, respectively.

## NOTE 8 - COMMITMENTS AND CONTINGENCIES:

### COMMITMENTS

#### Construction Projects

**Northern Telecom, Inc.:** In 1999 and 1998, we contracted with Northern Telecom, Inc. (Nortel) to install optronics on certain fiber-optic networks. We expect the installations to be completed in the fourth quarter of 2000 at a cost of \$51,800,000, of which a total of \$28,300,000 was paid in 1999 and 1998. The remaining \$23,500,000 is scheduled for payment in 2000 as various segments of the fiber-optic network under construction are completed. In 1999, we also contracted with Nortel to upgrade a telephone switch in the first quarter of 2000 at a cost of \$3,000,000. TWV will lease the switch from us for the life of the company. We continue to enter into arrangements with Nortel for installations of optronics on our network, including installations related to our acquisition from Qwest Communications International, Inc. (Qwest) discussed in Note 9, "Subsequent Events," in the "Acquisitions" section.

**AT&T:** In October 1999, we entered into a contract to construct a high-speed, fiber-optic network for AT&T. The contract allows us to install our own fiber-optic network at the same time and along the same network routes we will construct for AT&T. The network will span more than 4,300 miles and will cover six different routes in the West, Pacific Northwest, Northern Rocky Mountains, and Midwest regions (Minneapolis-Chicago; St. Louis-Plano, Illinois; Sacramento-Salt Lake City; Salt Lake City-Denver; and Denver-Nebraska-Iowa-Chicago). The contract contains capped performance incentives, if we meet, and capped penalties, if we do not meet, aggressive completion targets. The first route is scheduled for completion in the fourth quarter of 2000, and the last route is expected to be completed in the second quarter of 2001. We estimate the cost of the project at \$500,000,000, of which approximately one-half will be expended in 2000. We expect AT&T and other third parties to reimburse us for approximately 50 percent of the total cost, as stages of the project are completed.

#### Investments

**FTV:** In November of 1999, FTV began an expansion of regeneration sites along its Portland-to-Los Angeles fiber-optic route. The expansion project is expected to be completed by mid-2000, of which our share of the cost will be approximately \$3,300,000.

**Northern Colorado Telecommunications LLC:** In formation of the company, NCE contributed a long-term IRU of its existing fiber-optic network in the Denver metropolitan area. We will contribute approximately \$10,000,000 for the construction of six miles of fiber-optic cable and installation of optronics. In 1999, we contributed \$1,500,000 in cash toward this construction effort and plan to contribute cash of approximately \$7,000,000 in 2000 and \$1,500,000 in 2001.

**TWV:** Over the next two years, we expect to contribute approximately \$45,000,000 to establish the wireless infrastructure from which TWV will provide "one-number" wireless service. During 1999, both companies contributed their PCS licenses to the venture, of which our contribution value was approximately \$4,400,000.

### CONTINGENCIES

We are party to various legal claims, actions, and complaints arising in the ordinary course of business. We do not expect disposition of these matters to have a material adverse effect on our financial position, results of operations, or cash flows.

## **NOTE 9 – SUBSEQUENT EVENTS:**

### **INVESTMENTS**

#### **America Fiber Touch LLC (AFT)**

In January 2000, we and AEP Communications LLC, a subsidiary of American Electric Power, formed a company, AFT, to connect national and regional fiber-optic networks. The company's initial project is to construct a 330-mile fiber-optic route between St. Louis, Missouri, and Plano, Illinois, which makes up the Midwest route of the 4,300-mile build-out that we are constructing in tandem with our construction of a fiber-optic network for AT&T. This Midwest route is scheduled for completion in December 2000, at an estimated cost of \$25,000,000, of which our portion is \$12,500,000.

#### **Minnesota PCS, LP (MPCS)**

In January 2000, we acquired a 25 percent interest in MPCS' wireless telephone business, which owns PCS licenses in North Dakota, South Dakota, Minnesota, and Wisconsin. In accordance with the agreement, we made an initial \$2,700,000 equity investment in MPCS and, over the next two years, will loan MPCS up to \$12,000,000, due on October 1, 2002. We have loaned MPCS approximately \$6,000,000. In addition, we have guaranteed payment of \$7,000,000 in loans owed by MPCS through the year 2007.

#### **ITS**

In April 2000, we sold our equity position in and exited ITS as the emerging organizational and capital structure of ITS does not fit our growth strategy. Under the terms of the exit agreement, we sold our 31 percent interest in ITS to INS, and INS released us from all of ITS' obligations. We will continue to maintain a \$14,000,000 letter of credit for ITS until the closing of the third-party purchase transaction. Upon the closing of the third-party purchase transaction, expected to occur in mid-2000, INS will reimburse us approximately \$8,000,000 for our cash outlays to ITS, of which approximately \$5,000,000 have occurred during 2000.

#### **Sierra Touch America LLC**

In May 2000, we and Sierra Pacific Communications, a subsidiary of Sierra Pacific Resources, formed a company, Sierra Touch America LLC, with the purpose to construct a fiber-optic network between Sacramento and Salt Lake City. This network will make up 750 miles of the 4,300-mile build-out that we are constructing in tandem with our construction of a fiber-optic network for AT&T. Sierra Touch America will begin construction of the Sacramento-to-Salt Lake City fiber-optic route immediately and expects to complete the route in mid-2001 at an estimated cost of \$100,000,000. Our portion of this estimated cost will be approximately \$83,000,000, of which we expect to recover approximately 50 percent from AT&T and other third parties. The terms of the agreement give Sierra Touch America a partial interest in the metropolitan fiber networks that Sierra Pacific Resources operates in Reno and Las Vegas.

### **CROSS LEASE**

#### **PF.Net**

In January 2000, we and PF.Net, a privately held telecommunications company, agreed to cross lease fiber and conduit to expand both companies' fiber-optic networks. We will receive approximately 5,900 route miles of fiber from PF.Net, for 4,400 miles of our fiber and a cash payment of \$48,500,000. This cross lease will expand our network from Los Angeles to San Diego, Phoenix, El Paso, Dallas, Austin, San Antonio, Houston, New Orleans, Jacksonville, Orlando, Greensboro, Washington D.C., New York City, Tulsa, Kansas City, and St. Louis. We have made an initial payment of \$4,850,000 and will pay the remainder as segments of the routes under construction are completed. Segments are scheduled for completion at various times in 2000 and 2001.

## **NOTE 9 - SUBSEQUENT EVENTS (CONTINUED):**

### **EXCHANGES**

#### **Williams Communications**

In March 2000, we agreed to exchange dark fiber with Williams Communications, Inc. (Williams) to expand both of our fiber-optic networks. We will receive approximately 1,050 route miles of dark fiber and cash from Williams, in exchange for approximately 1,200 route miles of our dark fiber on our Denver to Dallas route. This exchange will expand our network from Minneapolis to Denver through Des Moines, Iowa and Topeka, Kansas. Both routes are currently operational.

### **ACQUISITIONS**

#### **Century Tel Inc.**

In January 2000, we entered into an agreement with Century Tel Inc., whereby we were granted fiber-use rights to 400 route miles of fiber linking Chicago to Detroit for approximately \$10,000,000. In January 2000, we made an initial payment of \$2,000,000. We expect these routes to be in service by late 2000.

#### **Qwest Acquisition**

On March 13, 2000, we signed an agreement with Qwest to acquire, for approximately \$193,000,000, subject to certain adjustments, Qwest's wholesale, private-line, long-distance, and other telecommunications services in US WEST's 14-state region, which covers 250,000 customer accounts for voice, data, and video services with multimedia and high-speed data applications. In addition, we will also acquire a fiber-optic network of 1,800 route miles, and associated optronics and switches, which we will connect to our existing fiber-optic network. When the Qwest acquisition is closed, we estimate that related capital expenditures will be an additional \$100,000,000. We expect this acquisition to close in mid-2000, subject to the satisfaction of various conditions and the receipt of required regulatory approvals.

### **MONTANA POWER COMPANY DIVESTITURE**

On March 28, 2000, Montana Power announced that it will separate its energy businesses from us through a stock sale(s) of its energy businesses, expected to take six to twelve months to complete, and that it will invest the proceeds from the sale(s) into our business.



The  
Montana  
Power  
Company

## Quarterly Summary

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Butte, Montana 59701-9394  
406-723-5421

**THIRD  
QUARTER  
2000**

September 30, 2000

Toll-Free Shareholder Number  
800-245-6767

[www.mtpower.com](http://www.mtpower.com)



The Montana Power Company

## NEWS OF THE THIRD QUARTER

The Board of Directors has declared a dividend of 20 cents per share on common stock, payable November 1, 2000, to shareholders of record at the close of business October 6, 2000.

Regular dividends were declared on outstanding preferred stock, payable November 1, 2000, to shareholders of record October 6, 2000.

**Divestiture moves quickly:** On March 28, we announced our intention to divest our energy businesses, including the utility, and to invest the proceeds in Touch America, providing focus for us and clarity to investors, while taking advantage of favorable energy business markets and allowing our energy companies to continue to thrive and achieve their long-term opportunities under new owners. Buyers have signed agreements to purchase all the energy businesses. We will move quickly to finalize these transactions with one or more closing before year-end and the remainder targeted for the first quarter of 2001.

**Companies acquiring energy businesses:** The companies acquiring Montana Power's energy businesses, the dates of the announcements and prices paid are: August 28, PanCanadian Petroleum Limited of Calgary, oil and gas, \$475 million; September 15, Westmoreland Coal Company of Colorado Springs, coal, \$138 million; September 20, BBI Power Corporation of Stevensville, Maryland, independent power, \$84.5 million; and October 2, NorthWestern Corporation of Sioux Falls, South Dakota, utility, \$1.1 billion, including \$488 million in debt. These transactions will produce \$1.3 billion in cash to invest in Touch America.

**Dividend information:** In line with the divestiture of the energy businesses and the transition of the company to a telecommunications growth-oriented enterprise under Touch America, your Board of Directors voted to eliminate common dividend payments effective the first quarter 2001. The dividend payment approved by the Board September 26 will be paid as scheduled on November 1. This is an action the board has studied for some time, and it aligns us with broadband product and service telecommunications peer companies that are reinvesting earnings to grow their businesses. We believe wealth creation and shareholder value will be enhanced by the ability to direct what were dividend dollars to further growing Touch America. Announcing this decision now will provide shareholders with dividend information in a timely manner since the company normally announces its first quarter dividend decision in December.

**Wildfires threaten company facilities:** When the

worst forest fire season in decades struck Montana, Touch America and utility employees worked the extra long hours needed to keep their customers in service, volunteering with local fire departments on off-hours and dealing with fire-rain, burning bridges and topped black bears. When fire threatened mountain top communications systems, Touch America employees rerouted traffic through new switches. Electric and gas

employees kept transmission and distribution systems up and running even when surrounded by danger. And when fire swept under the 500,000-volt transmission lines interrupting power supplies from Colstrip to the parched Pacific Northwest and California, we were ready to restore the service within hours. That the utility came through the fire season virtually unscathed is a testament to our employees' courage and expertise.

## Montana Power Reports Third-Quarter Earnings

These activities resulted in a \$18.3 million loss in operating income for the third quarter, compared to a gain of \$20.8 million for the same period a year ago.

**Interest Expense and Other Income:** Interest expense on a consolidated basis decreased \$6.2 million for the quarter compared to the same period a year ago, mainly due to the retirement of long-term debt in 1999 and early 2000. Other income increased approximately \$1.2 million primarily because of interest income earned on the higher cash balances held in 2000 compared to 1999.

**Consolidated Year-to-Date:** Income from Touch America operations for the nine months ended September 30, 2000 increased approximately \$8.6 million, or 31 percent, compared to the same period a year ago, growing to \$35.9 million from \$27.3 million.

Discontinued Energy Operations had operating income of \$87.5 million year-to-date, a 66 percent increase, compared to nine months ended September 30, 1999 of \$52.7 million, due mainly to higher commodity prices for oil and gas and Continental's pre tax gain of approximately \$34 million in the second quarter 2000 from the sale of its equity interest in an independent power project in Brazos, Texas.

**Year-to-date operating income for Continued Energy Operations** was \$9.4 million, compared to income of \$90 million for the same period of 1999. This was mainly caused by warmer than normal weather, a voluntary electric rate decrease, and increased purchased power costs for the period that are anticipated to continue into the first quarter of 2001. The company has accrued an additional \$10 million for the expected excess of energy costs over fixed contract prices to serve industrial customers through the first quarter of 2001 when the sale to NorthWestern Corporation is expected to close.

An 80 percent increase in Touch America's telecommunication income from operations in the third quarter helped consolidated earnings, but higher energy costs and related adverse impacts due to drought, plant outages and wildfires, resulted in The Montana Power Company (NYSE:MTP) reporting October 24 third-quarter 2000 earnings of \$0.23 per share compared to September 30, 1999 of \$0.26 per share.

Year-to-date 2000 earnings were \$0.85 per share, an increase of \$0.07 per share, or approximately 9 percent, versus year-to-date 1999 earnings.

**Touch America:** For the third quarter 2000, Touch America's operating income was \$23.6 million, an increase of \$10.4 million, or about 80 percent, from the same period a year ago. Revenues increased to \$122 million for the quarter compared to \$28 million for the third quarter of 1999, due mainly to higher sales, resulting mostly from the acquisition on June 30 of Qwest Communications International's wholesale, private line and retail long-distance business in its regulated 14-state region.

**Discontinued Energy Operations:** Operating income from discontinued operations in oil and natural gas, Continental Energy Services, and coal for the third quarter was \$29.8 million, compared to \$22.2 million for the same period a year ago.

**Continued Energy Operations (Utility and Colstrip Unit 4):** Despite the fact the utility has mitigated for risks resulting from higher regional power prices for regulated customers, Continued Energy Operations income still was lower for the third quarter compared to a year earlier. This was mainly because of drought, unplanned plant outages, higher electric commodity prices, wildfires and other operating conditions that interrupted service and increased operating expenses.

**Montana Power files to become part of RTO:** Montana Power, along with eight other electric utilities serving eight western states, has filed a proposal with the Federal Energy Regulatory Commission (FERC) to create a non-profit regional transmission organization (RTO) to improve the reliability and efficiency of the power grid in much of the Western U.S. RTO West would be responsible for scheduling bulk power transfers and would operate approximately 30,000 miles of the 50,000 miles of transmission lines owned by the utilities. Ownership of the transmission lines would remain with the utilities.

**Montana Power joins TransConnect:** Six of the nine utilities in RTO West, including Montana Power, also have filed plans with FERC to consolidate their high-voltage transmission systems through an Independent Transmission Company (ITC) dubbed TransConnect. TransConnect is a for-profit entity that will be focused on managing transmission assets and seeking growth opportunities in the transmission business. If approved, the TransConnect group will become one member of RTO West. Although there are still many details to be worked out, we expect that RTO West and TransConnect will benefit consumers through more efficient electrical operations, coordinated planning and expansion, and more coordinated outage planning.

**Montana Power files for rate increases:** In August, Montana Power made a combined electric and natural gas filing with the Montana Public Service Commission. The company has requested increased annual electric transmission and distribution revenues of approximately \$38.5 million, with a proposed interim annual increase of approximately \$24.9 million. The company has requested increased annual natural gas revenues of approximately \$12 million, with a proposed interim annual increase of some \$6 million. A decision on the interim increases is expected during the fourth quarter of 2000.

**Forward-looking information is subject to risk and uncertainty.** Portions of this document may constitute "forward-looking statements" as defined by federal law. Although the company believes any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. Any such statements are made in reliance on the "safe harbor" protections provided under the Private Securities Reform Act of 1995. Additional information about issues that could lead to material changes in performance is contained in the company's annual reports filed with the Securities and Exchange Commission.

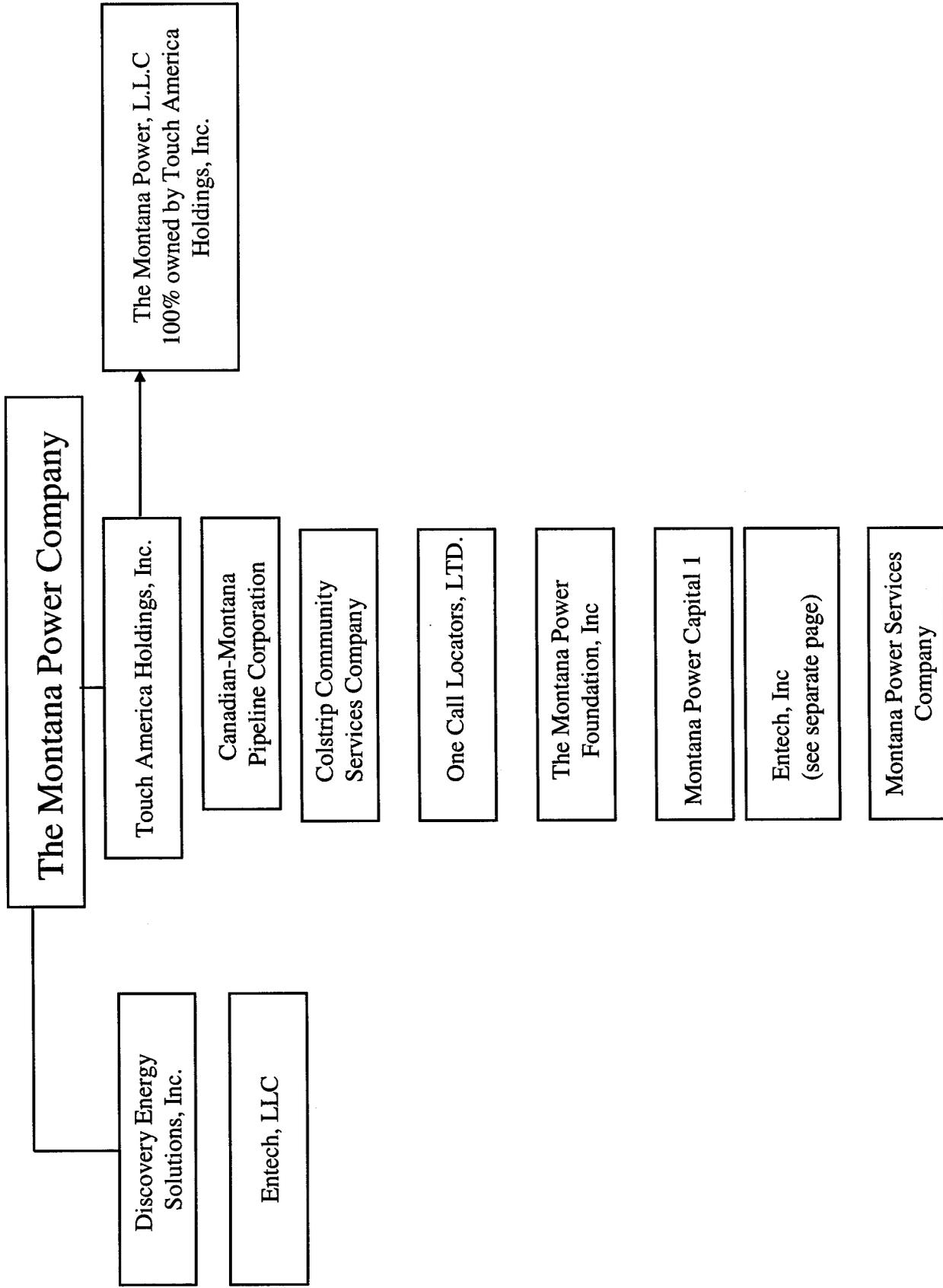
For the latest financial information and press releases on Montana Power visit our web site at <http://www.mtipower.com>.

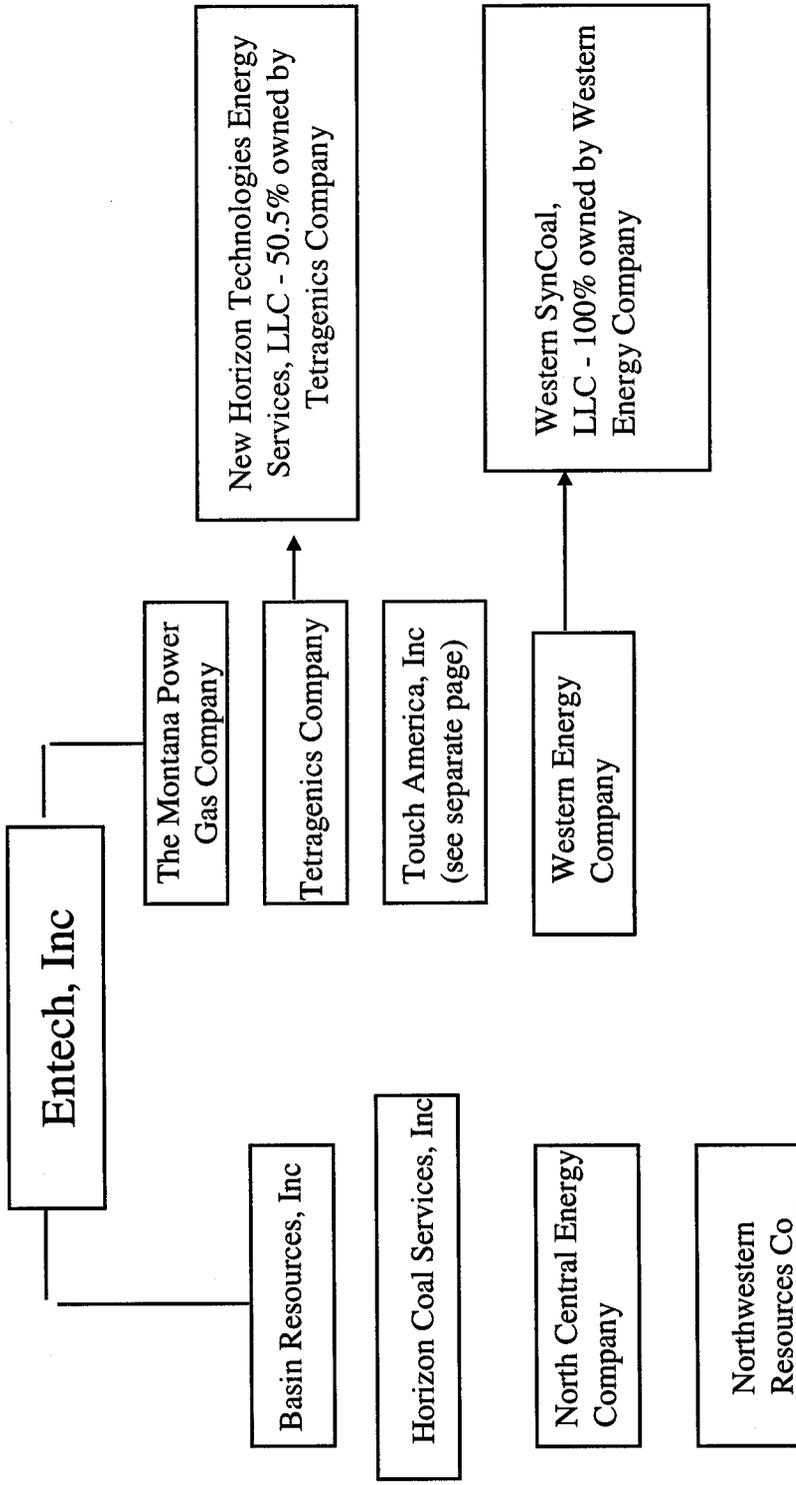
**THE MONTANA POWER COMPANY AND SUBSIDIARIES**  
**PRELIMINARY CONSOLIDATED STATEMENT OF INCOME**

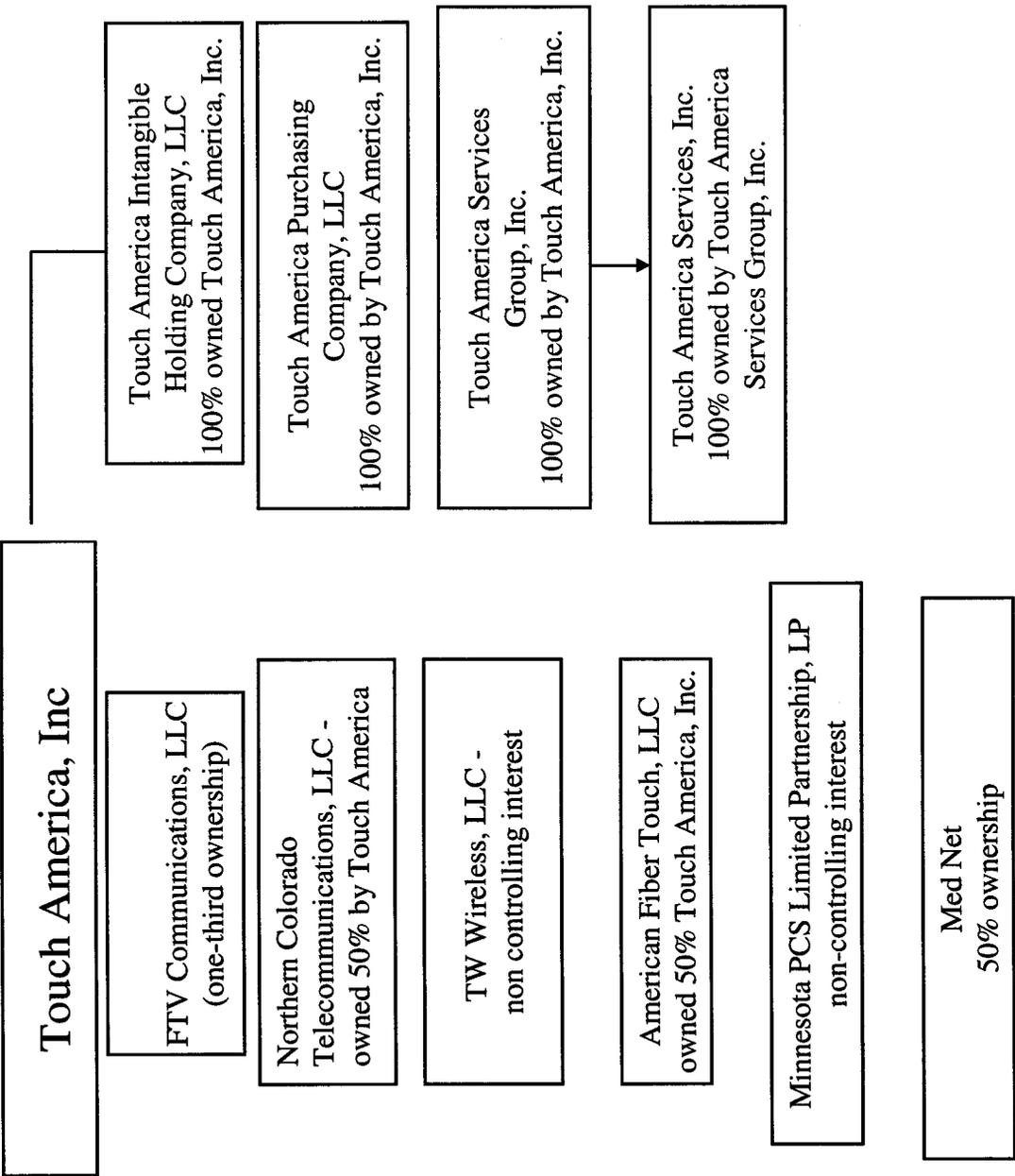
	Quarter Ended September 30,		Year to Date September 30,	
	2000	1999	2000	1999
<b>REVENUES</b> .....	\$ 264,605	\$ 180,474	\$ 627,299	\$ 564,343
<b>EXPENSES:</b>				
Operation and Maintenance.....	160,419	83,397	372,106	262,614
Selling, general and administrative.....	56,779	29,473	113,982	81,015
Taxes - other than income taxes.....	16,449	17,202	46,123	52,549
Depreciation, depletion and amortization.....	21,147	19,851	54,343	59,543
Provision for future losses relating to long term contracts	10,000	-	10,000	-
	<u>264,794</u>	<u>149,923</u>	<u>596,554</u>	<u>455,721</u>
<b>INCOME FROM OPERATIONS</b> .....	(189)	30,551	30,745	108,622
<b>INTEREST EXPENSE AND OTHER:</b>				
Interest.....	7,719	13,901	28,985	43,064
Distributions on mandatorily redeemable preferred securities of subsidiary trust.....	1,373	1,373	4,119	4,119
Other (income) deductions - net.....	(1,196)	24	(14,543)	(5,519)
	<u>7,896</u>	<u>15,298</u>	<u>18,561</u>	<u>41,664</u>
<b>INCOME TAXES</b> .....	(3,537)	8,199	6,735	31,416
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b> .....	(4,548)	7,054	5,449	35,542
<b>DISCONTINUED OPERATIONS:</b>				
Income from discontinued coal, independent power and oil and natural gas operation, net of income taxes	29,775	22,158	87,474	52,743
<b>NET INCOME</b>	<u>25,227</u>	<u>29,212</u>	<u>92,923</u>	<u>88,285</u>
<b>DIVIDENDS ON PREFERRED STOCK</b> .....	923	923	2,768	2,768
<b>NET INCOME AVAILABLE FOR COMMON STOCK</b> .....	<u>\$ 24,304</u>	<u>\$ 28,289</u>	<u>\$ 90,155</u>	<u>\$ 85,517</u>
<b>AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC (000)</b> .....	105,628	110,201	105,593	110,177
<b>BASIC NET INCOME PER SHARE OF COMMON STOCK</b> .....	\$ 0.23	\$ 0.26	\$ 0.85	\$ 0.78
<b>AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED (000)</b> .....	106,343	110,934	106,814	110,984
<b>DILUTED NET INCOME PER SHARE OF COMMON STOCK</b> .....	\$ 0.23	\$ 0.26	\$ 0.84	\$ 0.77

**EXHIBIT E**

Organizational Chart of the Parent Company and Subsidiaries







**EXHIBIT F**

States in Which Touch America is Authorized to Provide Telecommunications Services

Touch America is presently certified, registered or otherwise authorized to provide telecommunications services in the following states:

Alabama	Nebraska
Arkansas	Nevada
California	New Hampshire
Colorado	New York
Delaware	North Dakota
Florida	Ohio
Georgia	Oklahoma
Idaho	Oregon
Illinois	Pennsylvania
Indiana	Rhode Island
Iowa	Tennessee
Kansas	Texas
Kentucky	Utah
Michigan	Vermont
Minnesota	Washington
Mississippi	West Virginia
Missouri	Wisconsin
Montana	Wyoming

Touch America has filed for, and is anticipating, certification or authority to provide facilities-based interexchange telecommunications services in the following states:

Louisiana  
Maine  
Maryland  
New Jersey  
West Virginia  
Virginia  
South Carolina  
North Carolina  
Connecticut

Telecommunications  
E Commerce  
Technology  
Corporate & Finance  
Trademarks  
Proprietary Rights  
Complex Litigation  
General Business Law

## The Helein Law Group, P.C.

8180 Greensboro Drive  
Suite 700  
McLean, VA 22102

(703) 714-1300 (Telephone)  
(703) 714-1330 (Facsimile)  
mail@helein.com

Management Consulting Group  
Global Telecompetition Consultants, Inc. (GTC)  
(703) 714-1320 (Telephone)

Writer's Direct Dial Number

(703) 714-1313

November 15, 2001

5554  
**ORIGINAL**  
**RECEIVED**

2001 NOV 16 P 2:13

**AZ CORP COMMISSION  
DOCUMENT CONTROL**

Writer's E-mail Address

jmarashlian@helein.com

### VIA FIRST CLASS MAIL

Docket Control Center  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

Arizona Corporation Commission  
**DOCKETED**

NOV 16 2001

RE: Docket No. T-03911A-01-0448 ✓  
Docket No. T-03911A-01-0303  
Docket No. T-04011A-01-0303 ✓

DOCKETED BY	<i>rac</i>
-------------	------------

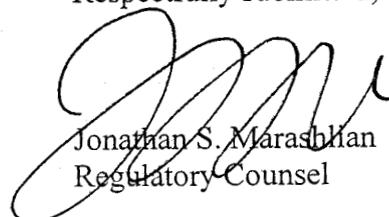
Ladies and Gentlemen:

As outside regulatory counsel to Touch America, Inc. and Touch America Services, Inc., we hereby request that the following name and address be added to the contact list associated with the above-referenced Dockets.

Jonathan S. Marashlian  
The Helein Law Group, P.C.  
8180 Greensboro Dr., Suite 700  
McLean, Virginia 22102

Should you have any questions regarding this filing, please do not hesitate to contact the undersigned at the telephone number listed above.

Respectfully submitted,

  
Jonathan S. Marashlian  
Regulatory Counsel

RECEIVED

2002 AUG 20 A 10:45

AFFIDAVIT OF PUBLICATION

ORIGINAL

ARIZONA CORPORATION COMMISSION  
DOCUMENT CONTROL  
**PUBLIC NOTICES**

2002 AUG 20 A 10:45  
**PUBLIC NOTICES**  
ARIZONA CORPORATION COMMISSION  
DOCUMENT CONTROL

STATE OF ARIZONA )  
 ) SS.  
COUNTY OF COCONINO )

I, ROBERT B. LARSON, Publisher of the  
SEDONA RED ROCK NEWS,

a newspaper of general circulation, printed  
and published in the County of Coconino,  
State of Arizona, do solemnly swear that a  
copy of the attached notice, in the matter of

Touch America Services, Inc. and  
Touch America, Inc.

as per clipping attached, was published in the  
regular and entire section of said newspaper,  
and not in any supplement thereof, on the  
following schedule:

July 3, 2002.

ROBERT B. LARSON, Publisher

Subscribed and sworn to before me this  
3 day of July, 2002.

  
Notary Public

Notary Public State of Arizona  
Yavapai County  
Gloria Cole  
Expires April 14, 2005

NOTICE OF APPLICATION AND HEARING FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTIFICATION.

On April 11, 2001, Touch America Services, Inc. ("TASI") filed an application for approval of the assignment of assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to Touch America, Inc. ("Touch America"). ASI received a CC&N to provide resold, facilities-based interexchange telecommunications services, and alternative operator services in Arizona pursuant to Decision No. 62672 (June 30, 2000). On June 30, 2001, the transfer transaction closed and Touch America began serving Arizona customers. The Company currently serves approximately 28,000 customers in Arizona.

The application, report of the Commission's Utilities Division Staff, and any written exceptions to the staff report prepared by the applicant are available for inspection during regular business hours at the offices of the Commission located at 200 West Washington Street, Phoenix, Arizona 85007, and at Applicant, [address].

Under appropriate circumstances, interested parties may intervene in the pro-

ceedings and participate as a party. You may have the right to intervene in the proceeding, or you may make a statement for the record. Intervention shall be in accordance with A.A.C. R14-3-105, except that all motions to intervene must be filed on or before August 12, 2002. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to the Company or its counsel and to all parties of record, and which at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.

2. A short statement of the proposed intervenor's interest in the proceeding (e.g. a customer of the company, a shareholder of the company, a competitor, etc.).

3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

A.A.C. R14-3-105 shall govern the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. The hearing is scheduled to commence on September 16, 2002, at 10:00 a.m., at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. Please check with the Commission for any changes to the scheduled hearing date.

If you have any comments, mail them to:

The Arizona Corporation Commission  
Attention Docket Control  
re: Touch America, Inc.  
T-03911A-01-0303 et al.  
1200 West Washington Street  
Phoenix, Arizona 85007

All written comments should be received by August 12, 2002.

If you have any questions about this application, or want information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodations such as sign language interpreter, as well as request this document in an alternative format, by contacting Shelly Hood, ADA Coordinator, voice phone number 602/542-3931, E-Mail shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

Arizona Corporation Commission  
**DOCKETED**

AUG 20 2002

DOCKETED BY  
CAR

**NOTICE OF APPLICATION AND HEARING FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTIFICATION.**

**Affidavit of Publication**

**State of Arizona  
County of Gila**

**Ellen Kretsch**, or her authorized representative, being first duly sworn deposes and says:

That she is the publisher of the Arizona Silver Belt, San Carlos Apache Moccasin, and the Gila County Advantage newspapers, located at 298 North Pine Street, Globe, Arizona 85501, or mail P.O. Box 31, Globe, Arizona 85502.

The above stated newspapers are published weekly in Globe, in the State of Arizona, County of Gila and that the following described  legal, or  advertising was duly published.

Notice of Application and Hearing for the Joint Application of Touch America Services, Inc. and Touch America, Inc. for approval of assignment of assets and transfer of a certificate of convenience and necessity to provide intrastate telecommunications services to Touch America, Inc. and waiver of customer notification.

A printed copy of said legal or advertisements is attached hereto and was published in a regular weekly edition of said newspaper (and not a supplement thereof) for 1 consecutive weeks in the  Arizona Silver Belt newspaper, and/or the  San Carlos Apache Moccasin newspaper, and/or the  Gila County Advantage. The dates of publication being as follows, to wit:

7-10-2002

*Ellen Kretsch*

Ellen Kretsch, Publisher  
Or authorized representative

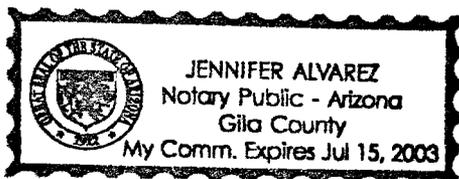
State of Arizona  
County of Gila

The foregoing instrument was acknowledged before me this

July 10, 2002 (date) by Ellen Kretsch

*Jennifer Alvarez*  
Jennifer Alvarez, Notary Public

My Commission Expires: July 15, 2003



On April 11, 2001, Touch America Services, Inc. ("TASI") filed an application for approval of the assignment of assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to Touch America, Inc. ("Touch America"). TASI received a CC&N to provide resold, facilities-based interexchange telecommunications services, an alternative operator services in Arizona pursuant to Decision No. 62672 (June 30, 2000). On June 30, 2001, the transfer transaction closed and Touch America began serving Arizona customers. The Company currently serves approximately 24,000 customers in Arizona.

The application, report of the Commission's Utilities Division Staff, and any written exceptions to the staff report prepared by the applicant are available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona 85007, and at Applicant (address).

Under appropriate circumstances, interested parties may intervene in the proceedings and participate as a party. You may have the right to intervene in the proceeding, or you may make a statement for the record. Intervention shall be in accordance with A.A.C. R14-3-105, except that all motions to intervene must be filed on or before August 12, 2002. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to the Company or its counsel and to all parties of record, and which at the minimum, shall contain the following:

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2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, a competitor, etc.).

3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

A.A.C. R14-3-105 shall govern the granting of motions to intervene. The granting of interventions, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. The hearing is scheduled to commence on September 16, 2002, at 10:00 a.m. at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. Please check with the Commission for any changes to the scheduled hearing date.

If you have any comments, mail them to:  
The Arizona Corporation Commission  
Attention: Docket Control  
re: Touch America, Inc.  
T-03911A-01-0303 et al.  
1200 West Washington Street  
Phoenix, Arizona 85007

All written comments should be received by August 12, 2002.

If you have any questions about this application, or want information on interventions, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as sign language interpreter, as well as request this document in an alternative format, by contacting Shelly Hood, ADA Coordinator, voice phone number 602-542-2931, E-Mail shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.  
Doc Pub T-10-2002      Bell      3489

# THE Tribune

Legal Advertisements

120 W. First Avenue Mesa

Affidavit of Publication

P.O. Number: Touch America

Invoice Number: 256044

Price: \$151.47

STATE OF ARIZONA  
County of Maricopa

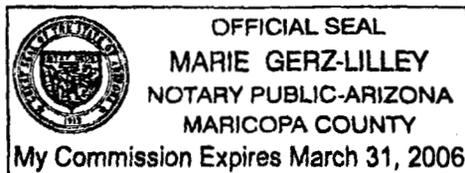
I, Dianna Nedd, Legal Clerk, acknowledge  
that the attached ad was published  
in a newspaper of general circulation.  
The dates of the publication are as follows:  
July 11, 2002

The Tribune (Scottsdale and East Valley Editions)

*Dianna Nedd*  
-----  
Legal Clerk

Subscribed and sworn to me on this date:  
July 11, 2002

*Marie Gerz-Lilley*  
-----  
Notary Public



**NOTICE OF APPLICATION AND HEARING FOR THE  
JOINT APPLICATION OF TOUCH AMERICA SERVICES,  
INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF  
ASSIGNMENT OF ASSETS AND TRANSFER OF A  
CERTIFICATE OF CONVENIENCE AND NECESSITY TO  
PROVIDE INTRASTATE TELECOMMUNICATIONS  
SERVICES TO TOUCH AMERICA, INC. AND WAIVER  
OF CUSTOMER NOTIFICATION**

On April 11, 2001, Touch America Services, Inc. ("TASI") filed an application for approval of the assignment of assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to Touch America, Inc. ("Touch America"). TASI received a CC&N to provide resold, facilities-based interexchange telecommunications services, and alternative operator services in Arizona pursuant to Decision No. 62672 (June 30, 2000). On June 30, 2001, the transfer transaction closed and Touch America began serving Arizona customers. The Company currently serves approximately 28,000 customers in Arizona.

The application, report of the Commission's Utilities Division Staff and any written exceptions to the Staff report prepared by the applicant are available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona 85007.

Under appropriate circumstances, interested parties may intervene in the proceedings, and participate as a party. You may have the right to intervene in the proceeding, or you may make a statement for the record. Intervention shall be in accordance with the A.A.C.R. 14-3-105, except that all motions to intervene must be filed on or before August 12, 2002. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to the Company or its counsel and to all parties of record, and which at the minimum, shall contain the following:

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2. A short statement of the proposed intervenor's interest in the proceeding (e.g. a customer of the company, a shareholder of the company, a competitor, etc.)
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

A.A.C. R15-3-105 shall govern the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing, and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. The hearing is scheduled to commence on September 16, 2002, at 10:00 a.m. at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. Please check with the Commission for any changes to the scheduled hearing date.

If you have any comments, mail them to:

The Arizona Corporation Commission  
Attention: Docket Control  
Re: Touch America, Inc.  
T-03911A-01-0303 et al.  
1200 West Washington Street  
Phoenix, Arizona 85007

All written comments should be received by August 12, 2002.

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July 11, 2002/256044



**AFFIDAVIT OF PUBLICATION**

=====

STATE OF ARIZONA  
=====  
COUNTY OF LA PAZ, ss  
=====

*Alice Opi*

ALICE OPIE,  
of said county, being duly sworn, deposes and says: that he is and at all times herein mentioned was a citizen of the United States, over the age of twenty-one years, and is competent to be a witness on the trial of the above entitled action, and that he is not a party to, nor interested in the above entitled matter.

That he is the Advertising Agent for the:

**PARKER PIONEER**

(published weekly) and which is a weekly newspaper of general circulation, published and c the said County of La Paz, and is published for the dissemination of local news and intelliger general character, and has a bona fide subscription list of paying subscribers, and said news been established and published in the City of Parker, County of La Paz, State of Arizona, for year before the publication of the first insertion of this notice and said newspaper is not dev interests of, or published for the entertainment of any particular class, profession, trade, call denomination, or any number thereof.

That the:

Notice of Application and Hearing  
Touch America Service, Inc.

of which the annexed is a printed copy, was published in said newspaper at least 1 time, the 17<sup>th</sup> day of July, 2002, and ending on the 17<sup>th</sup> of July, 2002, all above days inclu regular and entire issue of said newspaper proper, and not in a supplement and said noti therein on the following dates, to-wit:

July 17, 2002

Subscribed and sworn to before me this 18<sup>th</sup> day of July, 2002.

*Donna Schroeder*

Notary Public in and for the County of La Paz, State of Arizona.

*Harbood*  
My Commission Expires



**NOTICE OF APPLICATION AND HEARING FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA SERVICES, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTICE**

On April 11, 2001, Touch America Services, Inc. ("TAS") filed an application for approval of the assignment of assets and transfer of its Certificate of Convenience and Necessity ("CCN") to Touch America, Inc. ("Touch America"). TAS received a CCN to provide fixed, facilities-based interexchange telecommunications services, and alternative operator services in Arizona pursuant to Decision No. 62672 (June 30, 2000). On June 30, 2001, the transfer transaction closed and Touch America began serving Arizona customers. The Company serves approximately 28,000 customers in Arizona.

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  3. A statement certifying that a copy of the motion to intervene has been mailed to the Company, or its counsel and to all parties of record in the case.
- A.A.C. R14-3-105 shall govern the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. The hearing is scheduled to commence on September 16, 2002, at 10:00 a.m. at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. Please check with the Commission for any changes to the scheduled hearing date.

If you have any comments, mail them to:  
The Arizona Corporation Commission  
Attention: Docket Control  
re: Touch America, Inc.  
T-03911A-01-0303 et al.  
1200 West Washington Street  
Phoenix, Arizona 85007

All written comments should be received by August 12, 2002.  
If you have any questions about this application, or want information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as sign language interpreter, as well as request this document in an alternative format, by contacting Shelly Hood, ADA Coordinator, voice phone number 602/542-3931, E-Mail: shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.  
Publish July 17, 2002

State of Arizona )  
County Of Navajo )

ss. **Affidavit of Publication**  
**White Mountain Independent**

Docket T-04011A-01-0303 et al.  
Under appropriate circumstances, interested parties may intervene in the proceedings and participate as a party. You may have the right to intervene in the proceeding, or you may, make a statement for the record. Intervention shall be in accordance with A.A.C. R14-3-105, except that all motions to intervene must file a written motion to intervene with the Commission and send such motion to the Company, its counsel and to all parties of record, and which at the minimum, shall contain the following:  
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3. A statement certifying that a copy of the motion to intervene has been mailed to the Company, its counsel and to all parties of record.

I, Sally Moreno, being first duly sworn, depose and say: I am the agent of the White Mountain Publishing Company, publisher of the White Mountain Independent, a semi-weekly newspaper of general circulation published at Show Low, County of Navajo, Arizona and that the copy hereto attached is a true copy of the advertisement as published in the White Mountain Independent on the following dates:

July 12, 2002

A.A.C. R14-3-105 provides for the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. The hearing is scheduled to commence on September 16, 2002, at 10:00 a.m. at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. Please check with the commission for any changes to the scheduled hearing date.  
If you have any comments, mail them to:  
The Arizona Corporation Commission  
Attention: Docket Control  
1200 West Washington Street  
Phoenix, Arizona 85007  
T-03911A-01-0303 et al.  
All written comments should be received by August 12, 2002.

**White Mountain Independent**

Sally Moreno

Sworn to me this day of

17 July, A.D. 2002  
Mary A Lang  
Notary Public

**NOTICE OF APPLICATION AND HEARING FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTIFICATION.**

On April 11, 2001, Touch America Services, Inc. ("TASI") filed an application for approval of the assignment of assets and transfer of its Certificate of Convenience and Necessity ("CC & N" to Touch America, Inc. ("Touch American"), TASI received a CC&N to provide resold, facilities-based interexchange telecommunications services, and alternative operator services in Arizona pursuant to Decision No. 62672 (June 30, 2000). On June 30, 2001, the transfer transaction closed and Touch America began serving Arizona customers. The company currently serves approximately 28,000 customers in Arizona.  
The application, report of the Commission's Utilities Division Staff, and any written exception to the staff report prepared by the applicant are available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona 85007.

Notary Public State of Arizona  
Navajo County  
Mary A Lang  
Expires March 28, 2003

**PUBLIC NOTICES**

**AFFIDAVIT OF PUBLICATION**

STATE OF ARIZONA )  
 ) ss.  
COUNTY OF YAVAPAI )

**PUBLIC NOTICES**

I, ROBERT B. LARSON, Publisher of the  
THE CAMP VERDE JOURNAL,

a newspaper of general circulation, printed  
and published in the County of Yavapai,  
State of Arizona, do solemnly swear that a  
copy of the attached notice, in the matter of

Touch America Services, Inc. and  
Touch America, Inc.

as per clipping attached, was published in the  
regular and entire section of said newspaper,  
and not in any supplement thereof, on the  
following schedule:

July 3, 2002.



ROBERT B. LARSON, Publisher

Subscribed and sworn to before me this  
18 day of July, 2002.



Notary Public

Notary Public State of Arizona  
Yavapai County  
Gloria Cole  
Expires April 14, 2005



NOTICE OF APPLICATION AND HEARING FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTIFICATION.

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3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

A.A.C. R14-3-105 shall govern the granting of motions to intervene. The granting of intervention, among other

Phoenix, Arizona 85007  
All written comments should be received by August 12, 2002.

If you have any questions about this application, or want information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as sign language interpreter, as well as request this document in an alternative format, by contacting Shelly Hood, ADA Coordinator, voice phone number 602/542-3931, E-Mail shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

Publish: July 3, 2002.

will be donated to the Sal  
formances at the Georgia  
8-411X • 800-594-TX

DOCKET NO. T-04011A-01-0303

DOCKET NO. T-03911A-01-0303

STATE OF ARIZONA

COUNTY OF PINAL

} ss.

NOTICE OF APPLICATION AND HEARING FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTIFICATION.

On April 11, 2001, Touch America Services, Inc. ("TASI") filed an application for approval of the assignment of assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to Touch America, Inc. ("Touch America"). TASI received a CC&N to provide resold, facilities-based interexchange telecommunications services, and alternative operator services in Arizona pursuant to Decision No. 62672 (June 30, 2000). On June 30, 2001, the transfer transaction closed and Touch America began serving Arizona customers. The Company currently serves approximately 28,000 customers in Arizona.

The application, report of the Commission's Utilities Division Staff, and any written exceptions to the staff report prepared by the applicant are available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona 85007, and at Applicant, [address].

Under appropriate circumstances, interested parties may intervene in the proceedings and participate as a party. You may have the right to intervene in the proceeding, or you may make a statement for the record. Intervention shall be in accordance with A.A.C. R14-3-105, except that all motions to intervene must be filed on or before August 12, 2002. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to the Company or its counsel and to all parties of record, and which at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of the party upon whom service of docu-

ments is to be made if different than the intervenor.

2. A short statement of the proposed intervenor's interest in the proceeding (e.g. a customer of the company, a shareholder of the company, a competitor, etc.).

3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

A.A.C. R14-3-105 shall govern the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. The hearing is scheduled to commence on September 16, 2002, at 10:00 a.m., at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. Please check with the Commission for any changes to the scheduled hearing date.

If you have any comments, mail them to:

The Arizona Corporation Commission, Attention Docket Control, re: Touch America, Inc., T-03911A-01-0303 et al., 1200 West Washington Street, Phoenix, Arizona 85007

All written comments should be received by August 12, 2002.

If you have any questions about this application, or want information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

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No. of publications: 1; date of publication: July 10, 2002.

Affidavit of Publication

DONOVAN M. KRAMER, SR. first being duly sworn deposes and says: That he is a native born citizen of the United States of America, over 21 years of age, that he is publisher of the Casa Grande Dispatch, a daily newspaper published at Casa Grande, Pinal County, Arizona, Monday through Saturday of each week; that a notice, a full, true and complete printed copy of which is hereunto attached, was printed in the regular edition of said newspaper, and not in a supplement thereto, for ONE consecutive issues the first publication thereof having been on the 10TH

day of JULY A.D., 2002

Second publication

Third publication

Fourth publication

Fifth publication

Sixth publication

CASA GRANDE DISPATCH

By DONOVAN M. KRAMER SR., Publisher

Sworn to before me this 15th

day of July A.D., 2002

Debbie L. Mummie

Notary Public in and for the County of Pinal, State of Arizona

# Publisher's Affidavit of Publication

o0o

STATE OF ARIZONA }  
COUNTY OF YUMA }

**NOTICE OF APPLICATION AND HEARING FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTIFICATION.**

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to:  
The Arizona Corporation  
Commission  
Attention Docket Control  
re: Touch America, Inc.  
T-03911A-01-0303 et al.  
1200 West Washington Street  
Phoenix, Arizona 85007

All written comments should be received by August 12, 2002.

If you have any questions about this application, or want information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

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Daily July 11, 2002 #L24884

Julie Moreno or Lee Knapp, having been first duly sworn, deposes and says: that The Sun is a newspaper of general circulation published daily in the City of Yuma, County of Yuma, State of Arizona; that (s)he is the publisher or business manager of said paper; that the

NOTICE OF APPLICATION AND HEARING

a printed copy of which, as it appeared in said paper, is hereto attached and made a part of this affidavit, was published in The Sun

For ONE issues; that the date of the first publication of said NOTICE OF APPLICATION AND HEARING

was JULY 11, 2002 and the date of the last publication

being JULY 11, 2002 and that the dates when said

NOTICE OF APPLICATION AND HEARING

was printed and published in said paper were

JULY 11, 2002

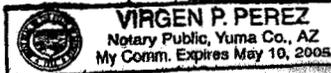
*Lee Knapp*

Subscribed and sworn to before me, by the said Julie Moreno or Lee Knapp

17th day of July, 2002

Virgen P. Perez Notary Public

My commission expires May 10, 2005



STAR PUBLISHING COMPANY

Tucson, Arizona

STATE OF ARIZONA)  
COUNTY OF PIMA)

Janice Anderson, being first duly sworn deposes and says: that she is the Legal Advertising Representative of the STAR PUBLISHING COMPANY, a corporation organized and existing under the laws of the State of Arizona, and that the said STAR PUBLISHING COMPANY prints and publishes The Arizona Daily Star, a daily newspaper printed and published in the City of Tucson, Pima County, State of Arizona, and having a general circulation in said City, County, State and elsewhere, and that the attached

*Legal Notice*

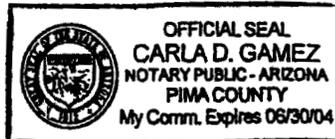
was printed and published correctly in the entire issue of the said The Arizona Daily Star on each of the following dates, to-wit:

*July 12, 2002*

*Janice Anderson*

Subscribed and sworn to before me this 15<sup>th</sup> day of July, 2002

*Carla D. Gamez*  
Notary Public



My commission expires \_\_\_\_\_

TNI AD NO. 820425

**LEGAL NOTICE**  
**NOTICE OF APPLICATION AND HEARING FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTIFICATION**

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The application, report of the Commission's Utilities Division Staff, and any written exceptions to the staff report prepared by the applicant are available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona 85007.

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A.A.C. R14-3-105 shall govern the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. The hearing is scheduled to commence on September 16, 2002, at 10:00 a.m., at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. Please check with the Commission for any changes to the scheduled hearing date.

If you have any comments, mail them to:  
 The Arizona Corporation Commission  
 Attention: Docket Control  
 re: Touch America, Inc.  
 T-03911A-01-0303 et al.  
 1200 West Washington Street  
 Phoenix, Arizona 85007

All written comments should be received by August 12, 2002.

If you have any questions about this application, or want information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000. The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodations such as sign language interpreter, as well as request this document in an alternative format, by contacting Shelly Hood, ADA Coordinator, voice phone number 602/542-3931. E-mail: shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.  
 Publish July 12, 2002  
 The Arizona Daily Star

AFFIDAVIT OF PUBLICATION

I, Duane A. Beyal, Managing Editor of the Navajo Times newspaper published weekly at Window Rock, Navajo Nation hereby swear that a legal notice:

Notice of Application and Hearing for the Joint Touch America Services, Inc. and Touch America, Intrastate Telecommunications Services Docket No. T-04011A-01-0303 et al. was published in said Navajo Times on the following date(s):

July 3, 2002.

and that said notice is attached to this Affidavit and is a true and correct copy of said notice as published.

[Signature] Duane A. Beyal Managing Editor

STATE OF ARIZONA :)

:)

COUNTY OF APACHE :)

SUBSCRIBED AND SWORN TO before me this

3rd day of July

[Signature] Emily C. Freeland

Notary Public

My Commission Expires:



Notary Public State of Arizona Apache County Emily C Freeland Expires November 22, 2005

NOTICE OF APPLICATION AND HEARING FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTIFICATION. On April 11, 2001, Touch America Services, Inc. (TASI) filed an application for approval of the assignment of assets and transfer of its Certificate of Convenience and Necessity (CC&N) to Touch America, Inc. (Touch America). TASI received a CC&N to provide resale, facilities-based interexchange telecommunications services, and alternative operator services in Arizona pursuant to Decision No. 62672 (June 30, 2002). On June 30, 2001, the transfer transaction closed and Touch America began serving Arizona customers. The Company currently serves approximately 28,000 customers in Arizona. The application, report of the Commission's Utilities Division Staff, and any written exceptions to the staff report prepared by the applicant are available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona 85007, and at Applicant [address]. Under appropriate circumstances, interested parties may intervene in the proceedings and participate as a party. You may have the right to intervene in the proceeding, or you may make a statement for the record. Intervention shall be in accordance with A.A.C. R14-3-105, except that all motions to intervene must be filed on or before August 12, 2002. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to the Company or its counsel and to all parties of record, and which at the minimum shall contain the following: 1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor. 2. A short statement of the proposed intervenor's interest in the proceeding (e.g. a customer of the company, a shareholder of the company, a competitor, etc.). 3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case. A.A.C. R14-3-105 shall govern the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. The hearing is scheduled to commence on September 16, 2002, at 10:00 a.m. at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. Please check with the Commission for any changes to the scheduled hearing date. If you have any comments, mail them to: The Arizona Corporation Commission, Attention: Docket Control, re: Touch America, Inc., T-03911A-01-0303 et al., 1200 West Washington Street, Phoenix, Arizona 85007. All written comments should be received by August 12, 2002. If you have any questions about this application, or want information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000. The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request...

Notice of Proof of Publication

STATE OF ARIZONA
=====
S S
COUNTY OF MOHAVE
=====

Alice Opie

Alice Opie being duly sworn, says that during the publication of the notice, as herein mentioned, he/she was and now is the Advertising Agent of Today's News Herald, a five-times weekly newspaper published on Sunday, Tuesday, Wednesday, Thursday and Friday of each and every week at the City of Lake Havasu City, in Mohave County, State of Arizona. That said newspaper was printed and published as aforesaid on the following dates, to-wit:

That the:

Notice of Application and Hearing
Touch America Services, Inc.

Published date

July 11, 2002

of which the annexed copy is a printed and true copy, was printed and inserted in each and every copy of said newspaper, printed and published on the dates aforesaid, and in the body of said newspaper and not in a supplement thereto.

Subscribed and sworn to before me this 12th day of July, 2002.

Donna L. Schroeder
Notary Public

2/28/2004

My Commission Expires:



NOTICE OF APPLICATION AND HEARING FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTIFICATION

On April 11, 2001, Touch America Services, Inc. ("TASI") filed an application for approval of the assignment of assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to Touch America, Inc. ("Touch America"). TASI received a decision from the Commission on June 30, 2001, pursuant to Decision No. 62572 Arizona customers. The Company serves approximately 28,000 customers in Arizona. The application, report of the Commission's Utilities Division Staff, and any written exceptions to the staff report prepared by the applicant are available for inspection during regular business hours at the office of the Commission located at 1200 West Washington Street, Phoenix, Arizona 85007. Under appropriate circumstances, interested parties may intervene in the proceedings and participate as a party. You may have the right to intervene in the proceedings or you may make a statement for the record. Intervention shall be in accordance with A.C. R14-3-105, except that all motions to intervene must be filed on or before August 12, 2002. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to the Company or its counsel and to all parties of record, and which at the minimum, shall contain the following: 1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor. 2. A short statement of the proposed intervenor's interest in the proceeding (e.g. a customer of the company, a shareholder of the company, a competitor, etc.) 3. A statement certifying that a copy of the motion to intervene has been mailed to the Company, or its counsel and to all parties of record in the case. A.C. R14-3-105 shall govern the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. The hearing is scheduled to commence on September 16, 2002, at 10:00 a.m. at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. Please check with the Commission for any changes to the scheduled hearing date. If you have any comments, mail them to: The Arizona Corporation Commission Attention: Docket Control re: Touch America, Inc. T-03911A-01-0303 at 1200 West Washington Street Phoenix, Arizona 85007. All written comments should be received by August 12, 2002. If you have any questions about this application, or want information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000. The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as sign language interpreter, as well as request this document in an alternative format by contacting Shelly Hood, AR14...

DOCKET NO. T-04011A-01-0303  
DOCKET NO. T-03911A-01-0303

## AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA

COUNTY OF SANTA CRUZ

} ss.

BOB KIMBALL,

being of first duly sworn,  
deposes and says: that he/she is PUBLISHER  
of the NOGALES INTERNATIONAL, a newspaper  
published in the County of Santa Cruz, State of Arizona,  
and of general circulation in said County, State and  
elsewhere, and that the hereto attached legal notice

~~NOTICE TOUCH AMERICA SERVICES~~

was printed and published correctly in the regular and  
entire issue of said NOGALES INTERNATIONAL for  
1 issues; that the first publication was made on  
the 12 day of July, 20 02, and the  
last publication thereof was made on the 12 day of  
July, 20 02.

NOGALES INTERNATIONAL

By Bob Kimball  
Subscribed and sworn to before me this 12  
day of July, 20 02.

Sandra  
Notary Public

## LEGAL NOTICE

NOTICE OF APPLICATION  
AND HEARING FOR THE  
JOINT APPLICATION OF  
TOUCH AMERICA SER-  
VICES, INC. AND TOUCH  
AMERICA, INC. FOR  
APPROVAL OF ASSIGN-  
MENT OF ASSETS AND  
TRANSFER OF A CERTI-  
FICATE OF CONVENIENCE  
AND NECESSITY TO PRO-  
VIDE INTRASTATE  
TELECOMMUNICATIONS  
SERVICES TO TOUCH  
AMERICA, INC. AND WAIV-  
ER OF CUSTOMER NOTIFI-  
CATION.

On April 11, 2001, Touch  
America Services, Inc.  
("TASI") filed an application for  
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assets and transfer of its  
Certificate of Convenience  
and necessity ("CC&N") to  
Touch America, Inc. ("Touch  
America"). TASI received a  
CC&N to provide resale, facili-  
ties-based interexchange  
telecommunications services,  
and alternative operator ser-  
vices in Arizona pursuant to  
Decision No. 52672 (June 30,  
2000). On June 30, 2001, the  
transfer transaction closed  
and Touch America began  
serving Arizona customers.  
The Company currently  
serves approximately 28,000  
customers in Arizona.

The application, report of the  
Commission's Utilities Division  
Staff, and any written excep-  
tions to the staff report pre-  
pared by the applicant are  
available for inspection during  
regular business hours at the  
offices of the Commission  
located at 1200 West  
Washington Street, Phoenix,  
Arizona 85007, and at  
Applicant, (address).

Under appropriate circum-  
stances, interested parties  
may intervene in the proceed-  
ings and participate as a party.  
You may have the right to  
intervene in the proceeding, or  
you may make a statement for  
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posed intervenor and of any  
party upon whom service of  
document is to be made if dif-  
ferent than the intervenor.

A short statement of the  
proposed intervenor's interest  
in the proceeding (e.g., a cus-  
tomer of the company, a  
shareholder of the company, a  
competitor, etc.)

3. A statement certifying that  
a copy of the motion to inter-  
vene has been mailed to the  
company or its counsel and to  
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things, entitles a party to pre-  
sent sworn evidence at hearing  
and to cross-examine other  
witnesses. However, failure to  
intervene will not preclude any  
interested person or entity  
from appearing at the hearing  
and making a statement on  
their own behalf. The hearing  
is scheduled to commence on  
September 16, 2002, at 10:00  
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Corporation Commission,  
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Commission for any changes  
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The Arizona Corporation  
Commission  
Attention: Docket Control  
re: Touch America, Inc.  
T-03911A-01-0303 et al  
1200 West Washington Street  
Phoenix, Arizona 85007

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2002.

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the Commission at 1200 West  
Washington Street, Phoenix,  
Arizona 85007 or call: 1-800-  
222-7000.

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criminate on the basis of dis-  
ability in admission to its pub-  
lic meetings. Persons with a  
disability may request a rea-  
sonable accommodations  
such as sign language inter-  
preter, as well as request this  
document in an alternative  
format, by contacting Shelly  
Hood, ADA Coordinator, voice  
phone number 602/54-3931,  
E-Mail: shood@cc.state.as.us.  
Requests should be made as  
early as possible to allow time  
to arrange the accommoda-  
tion.

Pub: 7/12/02  
Req: ANA  
Nogales International

East Valley Tribune  
July 11, 2002

Docket No. T-04011A-01-0303  
Docket No. T-03911A-01-0303

**NOTICE OF APPLICATION AND HEARING FOR THE  
JOINT APPLICATION OF TOUCH AMERICA SERVICES  
INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF  
ASSIGNMENT OF ASSETS AND TRANSFER OF A  
CERTIFICATE OF CONVENIENCE AND NECESSITY TO  
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SERVICES TO TOUCH AMERICA, INC. AND WAIVER  
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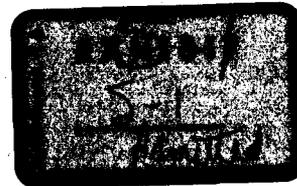
The Arizona Corporation Commission  
Attention: Docket Control  
Re: Touch America, Inc.  
T-03911A-01-0303 et al.  
1200 West Washington Street  
Phoenix, Arizona 85007

All written comments should be received by August 12, 2002.

If you have any questions about this application or want information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request reasonable accommodations such as sign language interpreter, as well as request this document in an alternative format, by contacting Shelley Hood, ADA Coordinator, voice phone number (602) 542-3931. E-Mail shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

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LEGAL DIV.  
ARIZ. CORPORATION COMMISSION

TO: Docket Control  
FROM: Ernest G. Johnson  
Director  
Utilities Division

DATE: April 15, 2002

RE: IN THE MATTER OF THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER (DOCKET NOS. T-04011A-01-0303 AND T-03911A-01-0303)

Attached is the Staff Report for the joint application of Touch America Services, Inc. and Touch America, Inc. for approval to transfer Touch America Services, Inc.'s utility assets and Certificate of Convenience and Necessity to provide facilities-based interexchange services and alternative operator services to Touch America, Inc. The Applicants are also requesting a waiver of customer notification to change subscriber's designated telecommunications provider.

Staff is recommending approval of the application following a hearing. Staff also believes that no waiver of customer notification is necessary.

EGJ:LAJ:nms

Originator: Linda A. Jaress

Attachment: Original and Ten Copies

Service List for Touch America Services, Inc. Et. Al.  
Docket Nos. T-03911A-01-0303 and T-04011A-01-0303

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**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**TOUCH AMERICA SERVICES, INC AND  
TOUCH AMERICA, INC.**

**(DOCKET NOS. T-03911A-01-0303 AND T-04011A-01-0303)**

**APPROVAL OF ASSIGNMENT  
OF ASSETS AND TRANSFER OF A  
CERTIFICATE OF CONVENIENCE AND NECESSITY  
TO PROVIDE INTEREXCHANGE  
TELECOMMUNICATION SERVICE AND  
WAIVER OF CUSTOMER NOTIFICATION**

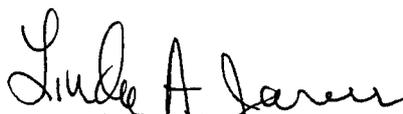
**APRIL 2002**

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## STAFF ACKNOWLEDGMENT

The Staff Report for Touch America Services and Touch America, Inc. was the responsibility of the Staff member listed below.

A handwritten signature in cursive script that reads "Linda A. Jaress". The signature is written in black ink and is positioned above a horizontal line.

---

Linda A. Jaress  
Executive Consultant III

## EXECUTIVE SUMMARY

Touch America Services, Inc., ("TASI") provided facilities-based, interexchange service in Arizona. On June 30, 2001, TASI transferred its assets to its parent, Touch America, Inc. ("Touch America") as part of a larger restructuring of their ultimate parent, Montana Power. Since then, Montana Power has gone out of existence.

The application requests approval to transfer the assets and CC&N of TASI to Touch America. Because Touch America is already using the assets and providing the services at issue and the complaints regarding its service have been minimal, Staff believes that Touch America is a fit and proper entity to receive TASI's assets and CC&N and recommends approval.

The TASI tariff, which Touch America adopted, provides for the collection of deposits and prepayments under certain circumstances. Staff recommends a performance bond of \$100,000 be procured by Touch America in keeping with Staff's performance bond guidelines.

The Applicants also requested a waiver of A.R.S. Section 44-1572 that requires customer notification to change a subscribers designated telecommunications company. The Commission has not completed its rulemaking necessary to implement A.R.S. Section 44-1572. Therefore, no waiver is required by the Commission.

Staff recommends approval of the transfer of the assets and CC&N of Touch America Services, Inc. to Touch America, Inc.

## **Introduction and Background**

On April 11, 2001 Touch America Services, Inc. ("TASI") filed an application for approval of the assignment of assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to provide resold facilities-based interexchange telecommunications services and alternative operator services to Touch America, Inc. ("the Company" or "Touch America") and for approval of a waiver of the customer notification required by A.R.S. Section 44-1572.

On June 30, 2001 the transfer transaction closed and Touch America began serving Arizona customers.

TASI received a CC&N to provide resold, facilities based long distance telecommunications services and alternative operator services in Arizona in Decision No. 62672 dated June 30, 2000. TASI originated as TeleDistance, Inc. TeleDistance, Inc. was formed by Qwest, Inc. to facilitate the federally mandated divestiture of Qwest Communications, Inc.'s ("Qwest") interLATA business prior to the merger of Qwest, Inc. and U S West, Inc. Qwest transferred its interLATA customers and assets and those of Qwest affiliates LCI International Telecom, Inc., Phoenix Network, Inc. and USLD Communications, Inc. to TeleDistance. Qwest then changed the name of TeleDistance to TASI and sold TASI to Touch America

Touch America, TASI's former parent, is a Montana corporation that, until recently, was wholly owned by Entech, Inc. a wholly owned subsidiary of Montana Power. In February, 2002, Montana Power divested all of its energy business, including its electric and gas utility and invested the proceeds in Touch America. The sales of the oil and gas business to a Canadian company for \$475.0 million, the independent power business to CES Acquisition Corp. for \$84.5 million and the coal business to Westmoreland Coal Co. for \$138.0 million have all been completed. The sale of the electric and gas utility operations to NorthWestern Corp. for \$602 million in cash and the assumption of up to \$488 million in debt closed on February 15, 2002.

Touch America now owns an 18,000-mile fiber-optic network and provides long distance service, Internet access, and frame relay/ATM services and provides other services such as the design, installation and maintenance of PBX and key systems, and construction management oversight. Touch America has operated the TASI network since its divestiture from Qwest.

Touch America currently serves approximately 28,000 customers in Arizona.

## **The Application for the transfer of the CC&N**

Touch America seeks authority to provide telecommunications services throughout the State of Arizona. The Company provides facilities-based interexchange telecommunications services and alternative operator services. Touch America is incorporated under the laws of the State of Montana and has authority to transact business in Arizona.

### **Technical Ability to Provide Service**

Touch America is authorized to provide switched and dedicated interexchange services in thirty-five states and has applications pending in the remaining contiguous United States. In many of those states it provides intraLATA, interLATA, intrastate, interstate and international 1+ dialing, dedicated access lines, WATS lines and DS1 service. Touch America also offers Internet services, calling cards and conference calling.

TASI and Touch America have shared services from the outset. TASI has never had any of its own employees as all marketing, administrative, network and support functions were conducted by Touch America employees. Based on Touch America's experience providing service, it has the technical ability to provide service.

### **Financial Ability to Provide Service**

The total consideration under Montana Power's four contracts to sell its non-telecommunications businesses was \$1.78 billion including the assumption of \$488.0 million of debt by NorthWestern. No amounts from these sales were distributed to the shareholders of Montana Power but are being used to grow the telecommunications business. Thus, Touch America has inherited a capital structure comprised primarily of equity.

According to the unaudited, pro forma condensed consolidated financial statements of Touch America filed within Montana Power's July 17, 2001 SEC Form S-4, Touch America should be profitable. The pro forma financial statements reflect a full 12-months of Touch America's operations including the effects of the merger, acquisition of Qwest's customers and the sale of the coal and energy business. The pro forma results for the year ending December 31, 2000 showed operating revenues of \$478.0 million generating net income of \$38.0 million. The company expects assets to total \$1.0 billion. Thus, Touch America should have the financial capability to provide continued service in Arizona.

However, Touch America reported a negative return on its Arizona jurisdictional assets of \$8.0 million at December 31, 2001. Operating expenses incurred to serve Arizona customers slightly exceeded the \$27.3 million of Arizona jurisdictional revenue.

Although the TASI tariff adopted by Touch America provides for the collection of advances, deposits and/or prepayments from interexchange customers under certain circumstances, a representative of Touch America informed Staff that the Company does not currently collect deposits or prepayments. Staff believes that since the tariff allows such collections, Touch America's customers should be protected by the procurement of a performance bond. Pursuant to Staff's performance bond guidelines, Staff recommends a performance bond of \$100,000 be acquired by Touch America. Staff further recommends that proof of the procurement of the bond be docketed within 60 days of the effective date of the Order on this matter.

### **Rates and Charges**

Touch America is providing service in areas where an incumbent local exchange carrier along with various competitive local exchange and interexchange carriers are providing telephone service. Touch America is competing with those providers in order to obtain and retain subscribers to its services. Therefore, it is not be able to exert market power. Thus, the competitive process should result in rates that are just and reasonable.

The rates charged by the Company were set in various decisions related to its predecessors and are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from the company and has determined that its fair value rate base approximates the net book value of its Arizona jurisdictional assets of \$8.0 million at December 31, 2001. Operating expenses incurred to serve Arizona customers slightly exceeded the \$27.3 million of Arizona jurisdictional revenue resulting in a negative return on fair value rate base.

Obviously, the rates being charged by the company are heavily influenced by the market or the Company would raise them. Therefore, while Staff considered the fair value rate base information submitted by the company, it did not accord that information substantial weight in its analysis.

### **Request for a Waiver of A.R.S. Section 44-1572**

TASI and Touch America also request a waiver of A.R.S. Section 44-1572; a statute that requires customer authorization before a telecommunications company changes the service of a customer to another service provider. The Commission does not have the authority to waive the provisions of a statute, as the Company requests.

The transaction between TASI and TouchAmerica is virtually transparent to the customer in all regards, including no change to the rates and no change to the terms and conditions of service. The receipt of service from the parent, rather than its affiliate and the receipt of service from the same company employees as before the transaction further illustrate the fact that there is no practical difference to the service of the TASI customers.

Further, the Commission is currently in the formative stages of the process of adopting rules to implement A.R.S. Section 44-1572. Therefore, Staff believes that no waiver is required by the Commission at this time.

### **Complaint Record**

According to the complaint records of the Commission's Consumer Services Section, five complaints against Touch America have been logged since the transfer of assets transaction closed. The complaints are primarily billing disputes or misunderstandings and have all been resolved.

### Recommendations

Touch America is incorporated under the laws of the State of Montana. It is currently offering facilities-based and resold interexchange service in thirty-five states, including Arizona. By providing adequate service it has demonstrated that it has the capability to provide its proposed services and is a fit and proper entity to receive TASI's assets and CC&N.

Therefore, Staff recommends that the application to transfer the assets and CC&N of TASI to Touch America be approved subject to the following recommendations:

Unless it provides services solely through the use of its own facilities, Touch America should procure an Interconnection Agreement, within 90 days of the effective date of the order in this matter and the agreement should remain in effect until further order of the Commission.

Touch America should be required to notify the Commission immediately upon changes to its address or telephone number.

Touch America should comply with all Commission rules, orders, and other requirements relevant to the provision of intrastate telecommunications service.

Touch America should maintain its accounts and records as required by the Commission.

Touch America should file with the Commission all financial and other reports that the Commission may require, and in a form and at such times as the Commission may designate.

Touch America should maintain on file with the Commission all current tariffs and rates, and any service standards that the Commission may require.

Touch America should cooperate with Commission investigations of customer complaints. Touch America should procure a performance bond equal to \$100,000 and file proof of the procurement of the performance bond with Docket Control within 60 days of the effective date of the Decision on this matter.

Staff further recommends that Touch America should be subject to the Commission's rules governing interconnection and unbundling and the 1996 Telecommunications Act and the rules promulgated thereunder. In the event that Touch America provides essential services or facilities that potential competitors need in order to provide their services, Touch America should be required to offer those facilities or services to those providers on non-discriminatory terms and conditions pursuant to federal laws, federal rules, and state rules.

Staff recommends that a hearing be held on these matters.

# FILE COPY

Legal

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TO: Docket Control  
FROM: Ernest G. Johnson <sup>967</sup>  
Director  
Utilities Division

AUG 05 2002

AZ CORP COMMISSION  
DOCUMENT CONTROL

LEGAL DIV.  
ARIZ. CORPORATION COMMISSION

DATE: August 2, 2002

RE: AMENDMENT TO STAFF REPORT FOR THE JOINT APPLICATION OF TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC. FOR APPROVAL OF ASSIGNMENT OF ASSETS AND TRANSFER OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES TO TOUCH AMERICA, INC. AND WAIVER OF CUSTOMER NOTIFICATION (DOCKET NOS. T-04011A-01-0303 and T-03911A-01-0303)

Attached is an amendment to the Staff Report for the joint application of Touch America Services, Inc. and Touch America, Inc. for approval of assignment of assets and transfer of a Certificate of Convenience and Necessity to provide intrastate telecommunications services to Touch America, Inc. and waiver of customer notification. The amendment includes a discussion of the fair value of the property of Touch America, Inc. required by the June 18, 2002 Procedural Order filed this docket.

EGJ:LAJ:nms

Originator: Linda A. Jaress

Attachment: Original and Ten Copies

Service List for Touch America Services, Inc. and Touch America, Inc.  
Docket Nos. T-04011A-01-0303 and T-039911A-01-0303

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## STAFF ACKNOWLEDGMENT

The amendment to the Staff Report for Touch America Services, Inc. and Touch America, Inc., Docket Nos. T-04011A-01-0303 and T-039911A-01-0303 was the responsibility of Linda A. Jaress.



Linda A. Jaress  
Executive Consultant III

**EXECUTIVE SUMMARY**  
**TOUCH AMERICA SERVICES, INC. AND TOUCH AMERICA, INC.**  
**DOCKET NOS. T-04011A-01-0303 AND T-039911A-01-0303**

A Staff Report dated April 15, 2002 recommended approval of Touch America Services, Inc. ("TASI") application for the transfer of its Certificate of Convenience and Necessity ("CC&N") to provide facilities based, interexchange service to Touch America, Inc., ("the Company") an affiliate. On June 18, 2002, the Administrative Law Judge issued a Procedural Order requiring the Applicants to publish notice and file an Affidavit of Publication in this Docket no later than August 12, 2002.

The Procedural Order also ordered Staff to "file an amendment to its Staff Report in this matter that includes a recommendation reflecting the current Staff and Commission performance bond requirements and a recommended fair value finding. The amendment to the Staff Report shall also include a recommendation to the Commission on how the fair value determination should be used in consideration of this application."

Staff obtained the information required by the Procedural Order from the Company and has determined that its fair value rate base is \$8,008,206. The rates charged by the Company are heavily influenced by the market for its services. Also, the fair value of the Company's rate base has no discernable impact on the transaction at issue. Therefore, while Staff considered the fair value rate base information submitted by the company, it did not accord that information substantial weight in its analysis of the application to transfer the CC&N.

Staff has altered some of its previous recommendations. Based on the current policy of Staff and the Commission, Staff now recommends that a bond of \$235,000 be established by Touch America, Inc. Also, Touch America, Inc. has provided Staff with information indicating that it does not have or need an interconnection agreement with Qwest so Staff is omitting its previous recommendation that Touch America, Inc. file an interconnection agreement. Finally, Staff is recommending that after the notice ordered by the Administrative Law Judge have been made, that the Administrative Law Judge decide if a hearing is required.

STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

TOUCH AMERICA SERVICES, INC. AND  
TOUCH AMERICA, INC.  
DOCKET NOS. T-04011A-01-0303 AND T-039911A-01-0303

JOINT APPLICATION OF  
TOUCH AMERICA SERVICES, INC.  
AND TOUCH AMERICA, INC. FOR APPROVAL  
OF ASSIGNMENT OF ASSETS AND TRANSFER OF  
A CERTIFICATE OF CONVENIENCE AND NECESSITY  
TO PROVIDE INTRASTATE TELECOMMUNICATIONS  
SERVICES TO TOUCH AMERICA, INC  
AND WAIVER OF CUSTOMER NOTIFICATION

AUGUST 2002

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## **Background**

On April 11, 2001 Touch America Services, Inc. ("TASI") filed an application for approval of the assignment of assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to provide resold facilities-based interexchange telecommunications services and alternative operator services to Touch America, Inc. ("the Company") and for approval of a waiver of the customer notification required by A.R.S. Section 44-1572.

On June 30, 2001 the transfer transaction closed and the Company began serving Arizona customers.

TASI received a Certificate of Convenience and Necessity ("CC&N") to provide resold, facilities based, long distance telecommunications services and alternative operator services in Arizona in Decision No. 62672 dated June 30, 2000. TASI originated as TeleDistance, Inc. TeleDistance, Inc. was formed by Qwest, Inc. to facilitate the federally mandated divestiture of Qwest Communications, Inc.'s ("Qwest") interLATA business prior to the merger of Qwest, Inc. and U S West, Inc. Qwest transferred its interLATA customers and assets and those of Qwest affiliates LCI International Telecom, Inc., Phoenix Network, Inc. and USLD Communications, Inc. to TeleDistance. Qwest then changed the name of TeleDistance to TASI and sold TASI to Touch America, Inc.

Touch America, Inc., TASI's former parent, is a Montana corporation that, until recently, was wholly owned by Entech, Inc. a wholly owned subsidiary of Montana Power. In February 2002, Montana Power divested all of its energy business, including its electric and gas utility and invested the proceeds in Touch America, Inc.

Touch America, Inc. now owns an 18,000-mile fiber-optic network and provides long distance service, Internet access, and frame relay/ATM services and provides other services such as the design, installation and maintenance of PBX and key systems, and construction management oversight. Touch America, Inc. has operated the TASI network since its divestiture from Qwest. TASI currently serves approximately 28,000 customers in Arizona.

Staff filed its Staff Report on the matter on April 15, 2002, recommending approval. On June 18, 2002, an Administrative Law Judge issued a Procedural Order requiring the Applicants to publish notice and file an Affidavit of Publication in this Docket no later than August 12, 2002.

The Procedural Order also ordered Staff to "file an amendment to its Staff Report in this matter that includes a recommendation reflecting the current Staff and Commission performance bond requirements and a recommended fair value finding. The amendment to the Staff Report shall also include a recommendation to the Commission on how the fair value determination should be used in consideration of this application".

Staff obtained the information required by the Procedural Order from Touch America, Inc. and has determined that its fair value rate base is \$8,008,206. This amount is equal to the net book value of the assets devoted to the Arizona jurisdiction.

The rates charged by the Company will be heavily influenced by the market for its services. If the rates charged by Touch America, Inc. are not just and reasonable, customers will defect to a provider whose rates are just and reasonable. Also, the fair value of the Company's rate base has no discernable impact on the transaction at issue. Therefore, while Staff considered the fair value rate base information submitted by Touch America, Inc., it did not accord that information substantial weight in its analysis of the application to transfer the CC&N.

Regarding the bonding requirement, the new Staff and Commission policy dictates that Touch America, Inc. must obtain a bond for each general service category. This amounts to \$235,000 (\$100,000 for facilities-based long distance service, \$100,000 for facilities based local exchange service, \$25,000 for resold local exchange service and \$10,000 for resold interexchange service).

#### **Touch America, Inc. Response to the Staff Report**

In response to the Staff Report issued on April 15, 2002, Touch America, Inc. sent a letter to Staff regarding two of Staff's recommendations. The Company requested that it not be required to procure and file an interconnection agreement as recommended by Staff. The Company's letter clarified how it provides service. The Company does not purchase local loops as unbundled network elements but purchases the local loops in Arizona pursuant to Qwest's special access tariff. Furthermore, the Company's co-location with Qwest in Arizona is only for the provision of long distance services. Because the purpose of the filing of interconnection agreements is to verify that the terms and conditions under which a CLEC would interconnect its network with that of Qwest, and Touch America, Inc. will not be interconnected with Qwest, Staff agrees that the recommendation regarding an interconnection agreement should be omitted.

The letter from Touch America, Inc. also indicated that it did not believe a hearing was necessary because it had not observed any interest on the part of the public in the docket. However, as of this writing, the Company has not provided notice of this docket. Staff recommends that after the notice is provided, the Administrative Law Judge determine if a hearing is necessary to provide a record upon which to base a Commission decision.

#### **Revised Recommendations**

Staff recommends that the application to transfer the assets and CC&N of TASI to Touch America, Inc. be approved subject to the following recommendations:

Touch America Services, Inc. and  
Touch America, Inc.  
Docket Nos. T-04011A-01-0303 and  
T-039911A-01-0303  
Page 3

Touch America, Inc. should be required to notify the Commission immediately upon changes to its address or telephone number.

Touch America, Inc. should comply with all Commission rules, orders, and other requirements relevant to the provision of intrastate telecommunications service.

Touch America, Inc. should maintain its accounts and records as required by the Commission.

Touch America, Inc. should file with the Commission all financial and other reports that the Commission may require, and in a form and at such times as the Commission may designate.

Touch America, Inc. should maintain on file with the Commission all current tariffs and rates, and any service standards that the Commission may require.

Touch America, Inc. should cooperate with Commission investigations of customer complaints.

Touch America, Inc. should procure a performance bond equal to \$235,000 and file proof of the procurement of the performance bond with Docket Control within 60 days of the effective date of the Decision on this matter.

Staff further recommends that Touch America, Inc. should be subject to the Commission's rules governing interconnection and unbundling along with the 1996 Telecommunications Act and the rules promulgated thereunder. In the event that Touch America, Inc. provides essential services or facilities that potential competitors need in order to provide their services, Touch America, Inc. should be required to offer those facilities or services to those providers on non-discriminatory terms and conditions pursuant to federal laws, federal rules, and state rules.