

ANNUAL REPORT 2000



MINNESOTA
TELEPHONE
ASSOCIATION
WWW.MNTA.ORG



President's Report

At the legislature, MTA members stood together to defeat proposed bills that would have negatively affected current telecom regulations. While our members support some form of rewrite, we will not allow our companies and customers to suffer from haphazardly crafted proposals from regulatory agencies or elected officials.

Throughout the summer, we listened to Gov. Ventura and his Administration promote their "Big Plan" - a plan that is not in concert with our industry and the services we provide.

Thank you to everyone that attended these various "listening posts" and town meetings. Your representation - both verbal and nonverbal - demonstrated the voids in the proposal championed by the state.

At the federal level, MTA is continuing to work with the FCC and its staff to promote the intentions of the 1996 Telecommunications Act - to foster open competition in the marketplace, not to allow government units to grant exclusive, monopoly use of rights-of-way. We agree with the FCC that the state's agreement with a developer for exclusive physical access to freeway rights-of-way in exchange for free capacity has the potential to adversely affect other providers of telecommunications services and to deprive competitors of the ability to compete on a facilities basis.

Telecommunications continues to be a rapidly changing and evolving industry. Although some analysts attempt to predict the advances for the coming years, what we can be sure of is that MTA members will continue to provide their customers and communities with quality service, at a fair and competitive rate. We will continue to develop and install new and upgraded networks in our exchanges. We will continue to stand together to promote our companies, employees and customers.

I want to thank you for an exciting first year as MTA President. It is a pleasure and an honor to work with the Association's committees and to see the dedication that we all have for this industry. As I look ahead to 2001, I know that together, we will meet the challenges and celebrate the successes that await us.

Anthony V. Mayer
President, MTA Board of Directors

Executive Secretary-Treasurer's Report

For your employees that are just getting introduced to the industry, I believe 2000 was a good example of what they can expect to see in the near future from regulators, legislators and technological advances.

For those of you that are nearing retirement, the past twelve months may have made you think about it a little more seriously.

And for the rest of us, 2000 was a year of challenges - a year filled with numerous "what if" scenarios, that if played out to their fullest extent, would have significantly impacted your businesses.

The Association's direction and industry advocacy begins with our member-supported MTA Committees. Each committee addressed their respective issues in 2000 and either concluded or moved their projects ahead. We implemented a new CLEC Committee to support the needs of our CLEC members at the state and federal level. The MTA 911 Committee was reactivated to improve government relations and service provisioning for emergency telecommunications services.

Over the next twelve months, MTA Committees will be asked to continue their work and advance the goals of the Association as we bring our members' issues to policy-makers. MTA will continue to utilize available media outlets combined with our own public relations to advocate a fair regulatory environment.

Michael Nowick
Executive Secretary-Treasurer

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LEGISLATIVE AND REGULATORY

Minnesota Legislature / PUC / Dept. of Commerce / Attorney General

Telecommunications reform runs out of time

After it was all said and done, no consensus was reached during the 2000 Legislative session on the rewrite of Chapters 237 and 238, Minnesota's telecommunications laws. It wasn't for lack of effort. Besides MTA's, three other bills were introduced by AT&T, Department of Commerce and Senator Steve Kelley. MTA staff held meetings with several other groups over the summer to identify issues of concern and mutual cooperation.

Access reform: 3 different approaches

Three separate proposals that, in one way or another, reform access charges and universal service were submitted to the FCC this year.

The Coalition for Affordable Local and Long Distance Services (CALLS) whose members include AT&T, Bell Atlantic, Bell South, GTE, SBC Corp., and Sprint filed their proposal to reduce access charges paid to price cap carriers. The CALLS' plan, which does not apply to Rate of Return carriers, will cut and restructure access charges over the next five years. The plan was adopted by the FCC on an interim mandatory basis for all carriers regulated under its price cap system.

The Multi-Association Group (MAG) also filed a plan with the FCC in 2000. The MAG plan is the small and mid-sized carriers answer to the CALLS proposal. The MAG plan proposes a comprehensive universal service, access charge reform and deregulation plan for most small and mid-sized incumbent local exchange carriers (ILECs) that are not subject to price cap regulation and was developed to address all of the small companies' open dockets at the FCC.

MAG members include the National Rural Telecom Association (NRTA), National Telephone Cooperatives Association (NTCA), the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), and the United States Telecom Association (USTA).

The Rural Task Force (RTF) – through the Universal Service Joint Board – filed a proposal to

the FCC concerning rural universal service support. The recommendations address the future of universal service funding for telecommunications service areas served by rural carriers. RTF members include representatives from AT&T, Western Wireless, McLeodUSA, the Competitive Telecommunications Association and state consumer advocates.

PUC excludes lost access from EAS

In four separate dockets, the Minnesota Public Utilities Commission (PUC) denied requests by local telecommunications providers and MTA to recover lost toll revenue or access charges in providing extended area service (EAS). As a result of the rulings, companies in future EAS dockets will be forced to spread the cost of EAS to all their customers, not just the petitioning exchange.

Depreciation bill becomes law

The depreciation deregulation bill sponsored by MTA, was signed into law following the 2000 Legislative session. This effectively ended depreciation reporting requirements and the need to receive approval of depreciation rates and equipment lives from the PUC. Companies now have to keep their depreciation accounts according to specifications set by the FCC. The PUC may still inspect a company's depreciation records upon request.

New code assigned

The Department of Commerce began meeting with industry representatives to explain the Department's proposal to implement the 711 dialing code to allow easier access to the Minnesota Relay System. The FCC has ordered activation of the 711 code by October 1, 2001. The Department will ask the PUC for an Order mandating the use of the new code. The new code will replace the 800 number that is currently being used. Recovery of associated costs to implement the 711 code is not included in the proposal.

Year In Review

COMMUNICATIONS

Public Relations / Media Relations / Publications / Consumer Affairs

Communications are an important part of our association. Throughout the year we use a variety of methods to communicate with our members, including the association's monthly newsletter *Member Bulletin* and *Weekly Regulatory Bulletin*, the update of regulatory activities. During the Legislative session the *Capitol Bulletin* summarizes events occurring at the state capitol. The *Telecommunications Guide* is our non-technical publication especially designed for legislators and other decision-makers interested in the telecommunications industry.

Our communications also go beyond our membership. Newspaper opinion-editorials, commentaries, and press releases are prepared and distributed to media outlets statewide to help get our issues out in front of policy-makers and consumers. This year's access charge reform activities required a special consumer handout prepared by MTA and distributed to our members.

MTA staff are regularly asked to represent the industry in print publications or appear on Twin Cities area TV news programs to explain the story behind the telecommunications headlines. The complexity of phone bills is an example of an important consumer issue that was in the news this year. MTA helped explain what an average bill represents during one such news program appearance.

Area Code Customer Education

A committee comprised of representatives from member companies serving the metropolitan area and consumer groups were charged with getting the word out about the two newest area codes for Minneapolis. An eleven month permissive dialing period began in February.

Job Board goes online

An electronic 'Job Board' was added to the MTA Web site (<http://www.mnta.org/>) this year to help our members with their employment needs. Employment opportunities at member companies are posted online in an easy to access format. Job seekers can click on links within the ads to view the posting company's Web site or send an e-

mail. The *Job Board* page is fast becoming one of the most popular pages on the Web site.

Web site reformatted to no frames

The design of the MTA Web site (<http://www.mnta.org/>) changed in 2000 to make it easier to navigate. Originally a frames intensive site, it was reformatted with no frames to better accommodate various Web browsers and to create a more contemporary style. Interactive links along the left side of each page allow users to jump to other sections of the site with the click of the mouse. The association's site received a monthly average of 3,650 visitors and 23,352 hits in 2000.

Minnesota wireless companies form philanthropic foundation

Wireless companies in Minnesota, in cooperation with MTA and Cellular Telecommunications Industry Association (CTIA), formed the Minnesota Wireless Foundation (MWF), a philanthropic organization whose goal is to educate the public about using wireless phones safely and responsibly.

The MWF's founding members and the foundation's first board of directors include nearly every wireless phone company that provides services in Minnesota. Founding members of the Minnesota

Wireless Foundation are:
AT&T Wireless Services;
Cellular Mobile Systems of St.

Cloud; HickoryTech; Midwest Wireless; Nextel Communications; Rural Cellular Corporation, d.b.a. Cellular 2000 and Unicel; U S WEST Wireless, LLC (now Qwest Wireless, LLC).

In addition to the wireless members, the board of directors includes three representatives from other statewide safety organizations: Minnesota Department of Public Safety, Minnesota Safety Council and AAA Minnesota/Iowa.



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EVENTS

Annual Convention / Government Conference / Fall Conference

MTA hosts four major events each year for members. An additional technical conference was offered in 2000.

MTA 91st Annual Convention

The annual MTA convention was again held at the Hyatt Regency Minneapolis and Regal Minneapolis Hotels. The trade show featured 164 exhibitors in 237 booths. Total attendance for the convention was 2,314, down slightly from the 2,343 attendance in 1999.

Convention exhibitors have an opportunity each year to display a product or service in the Innovations area. Awards are presented to the top three most innovative products as voted on by telephone company employees.

The ADSL 6+6 Card™ from Advanced Fibre Communications of Petaluma, California was awarded first place. Second place was awarded to Plymouth-based Optical Solutions for their FiberPath Plant Manager. The K-2000-DVA digital voice announcer, distributed by Viking Electronics of Hudson, Wisconsin took third place in the annual contest to recognize innovative products and services in the telecommunications market.

State Government Conference

The State Government Conference is held each year following the adjournment of the Legislative session. The 2000 conference held at the Radisson South Hotel in Bloomington featured a recap of the session and presentations by Gregory Scott, chair of the Minnesota Public Utilities Commission; David Fisher, Commissioner of Administration; and Minnesota Attorney General Mike Hatch. The rewrite of telecom regulations was also discussed in a panel representing telecommunications providers, cable TV and municipal utilities.

Golf Day

The MTA Golf Day was held in July at the Crow River Country Club in Hutchinson. The Golf Day is always a popular event for members. Over 200 golfers enjoyed a picture-perfect, summer day to network with other industry professionals.

Communications Seminar & Fall Conference

MTA members had an opportunity to hear various presentations on the industry at the Communications Seminar and Fall Conference that was held at the St. Cloud Holiday Inn. Topics included the wireless 3G, DSL deployment, company celebrations, and distracted driving.

Technical Conference

At the recommendation of the MTA Industry Planning Committee, a one-day day Technical Conference was offered in September at the Radisson Hotel in St. Cloud. The conference featured some of the newer technologies available to telecommunications providers – DSL, Voice over IP, ATM and Softswitching – and was attended by 125 members. Based on the positive feedback received in the evaluation forms, future programs highlighting new technologies will be offered in 2001.



*"3, 2, 1. . .HAPPY NEW YEAR!!"
A scene from 'Celebration in Times Square',
the Convention wrap-up party*

Year In Review

MEMBERSHIP

Awards / Anniversaries / Member Announcements / Committees

Safety Awards

Five companies were honored with MTA Safety Awards. The awards are presented annually to companies in recognition of outstanding safety and health efforts throughout the course of the previous year.

2000 Safety Award recipients:

East Otter Tail Telephone Company, Perham

Midwest Wireless, Mankato

Paul Bunyan Rural Telephone Co-op., Bemidji

Sleepy Eye Telephone Company, Sleepy Eye
Connections, Etc., Big Lake, received the 'Safety Director's Award' for the third year in a row for the accomplishments of their in-house safety program.

21st Century Leadership Awards

The 21st Century Leadership Awards recognizes members' contributions to the progress and prosperity of Minnesota's telecommunications industry.

The awards were presented at the MTA Annual Meeting to three individual members in the categories of humanitarian efforts, public service, and industry leadership. One member company received recognition for its economic development efforts.

21st Century Leadership Award recipients:

Michael Flaata, Hutchinson Telephone Company, Hutchinson – Humanitarian

George W. Wikstrom, Jr., Wikstrom Telephone Company, Karlstad – Public Service

Allen R. Arvig, Arvig Communication Services, Perham – Industry Leadership

Blue Earth Valley Communications, Blue Earth – Economic Development

Membership totals:

Active - 102

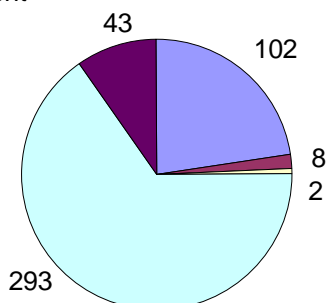
Wireless - 8

Telecommunications

Carrier - 2

Associate - 293

Affiliate - 43



Member Anniversaries

MTA members celebrated milestones in 2000:

Ace Communications Group, Houston - 50 years

Crosslake Communications, Crosslake - 75 years

East Otter Tail Telephone Co., Perham - 50 years

West Central Telephone Assn., Sebeka - 50 years

Winnebago Cooperative Telephone Association, Lake Mills, Iowa - 50 years

Welcome new members that joined in 2000

Active

EN-TEL, Willmar

Everest Connections, O'Fallon, Mo.

HBC Telecom, Madison, Wis.

HomeTown Solutions, Morris

Hutchinson Telecommunications, Litchfield

Seren Innovations, Minneapolis

Wireless

Qwest Wireless, Saint Paul

Telecommunications Carrier

FairPoint Carriers, Troy, N.Y.

Associate

Accelerated Networks, Moorpark, Calif.

Advantage Telcom, San Antonio, Texas

ANDA, Santa Clara, Calif.

Apex Telecommunications, Nashua, N.H.

Bejed, Portland, Ore.

Bert's Truck Equipment, Moorhead

Calix, Petaluma, Calif.

Cidera, Laurel, Md.

Clarent, Crown Point, Ind.

CORE Telecom, St. Louis, Mo.

Cortelco, Corinth, Miss.

DBD International, Ltd., Menominee, Wis.

Develcon, Hermosa Beach, Calif.

DMAC Industries, Dawson, Ill.

EDI Enterprises, Inc., Minnetonka

Edwards and Kelcey, Minneapolis

EHPT USA, Englewood, Colo.

GVN Technologies, Largo, Fla.

General DataComm, Inc., Edina

J. Carlson Services, Inc., Shevlin

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MEMBERSHIP, continued

New Members continued - Associate

Lawson Software, Saint Paul
MQ Power, Carson, Calif.
Mariner Networks, Anaheim, Calif.
Maslon Edelman Borman & Brand, Mpls.
Midbrod Electronic, St. Paul
Montclair Fiber Optics, Middleton, Wis.
Myrio, Kirkland, Wash.
NEC America, Irving, Texas
Newton Instrument Company, Aurora, Colo.
Northwest Communications, Saint Paul
Oldcastle Precast, Mansfield, Texas
Paradyne, Largo, Fla.
Pliant Systems, Durham, N.C.
Preferred Voice, Dallas, Texas
Prime Publications, Minneapolis
Professional Systems, Hartland, Wis.
Push, Rice Lake, Wis.
Real Time Access, Livermore, Calif.
Redback, Inver Grove Heights
S.A.T.T. Incorporated, Montverde, Fla.
Seleriti, Minnetonka
Solunet, Edina
Superior Essex, Atlanta, Ga.
Taqua Systems, Hyannis, Mass.
Technical Solutions, Anoka
Telewire Supply/Antec, Englewood, Colo.
Terry Durin Telecom Supply, Cedar Rapids, Iowa
Tower Solutions, Pine City
Trans Technologies Marketing, Lakeville
Triad/Universal Communications, Warren, Ohio
VideoTele.com, Lake Oswego, Ore.
West Wind Graphics, Inc., Menominee, Wis.
Zaffire, Des Moines, Iowa

Qwest Communications/U S WEST merge

U S WEST reached an agreement in April with two state agencies to help gain support for its merger with Qwest Communications. The agreement called for U S WEST to invest \$160 million in its Minnesota network and accept new quality-of-service standards. In return, the Department of Commerce and the Attorney General's office agreed not to oppose an expedited vote by the Public Utilities Commission on the U S WEST/Qwest merger.

The agreement also called for U S WEST to provide 13 non-metro Minnesota cities with high-speed DSL service over the next three years.

In addition, U S WEST agreed to rules that penalize it for failing to help new competitive local exchange carriers (CLECs) lease U S WEST lines in a timely manner.

The merger was completed June 30 and was considered one of the fastest completed large mergers in the communications industry. The merger was approved by shareholders of both companies on November 2, 1999. The Denver-based combined company had approximately 71,000 employees at the time of the merger.

Citizens Communications' purchase of GTE exchanges approved

Citizens Communications became the official provider of telephone service to more than 130,000 Minnesota residents when it acquired the GTE (now known as Verizon) exchanges in the state. The Minnesota Public Utilities Commission approved the sale on July 24 and the purchase became effective August 31.

Additionally, as part of an agreement between Citizens Communications, the Minnesota Department of Commerce, and the Attorney General's Office, Citizens will cap rates for at least four years unless there is legislative or regulatory action at the state or federal level. The company must also meet standards for installation, repairs and telephone customer service answer times.

Within three years, Citizens Communications will offer high speed Internet access via Digital Subscriber Line (DSL) technology to some communities in Minnesota.

Also in 2000, Global Crossing, the parent company of Frontier Communications, agreed to sell its local phone operations to Citizens Communications including about 1 million lines in Minnesota, Iowa, New York, Pennsylvania and Wisconsin.

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MTA BOARD OF DIRECTORS

Walter S. Clay, Hutchinson Telephone Company, Hutchinson

Victor E. Dobras, Sprint, Saint Paul

Robert K. Eddy, Connections, Etc., Big Lake

John Finke, HickoryTech, Mankato

George W. Fish, Garden Valley Telephone Company, Erskine

David F. Freeman, Ace Communications Group, Houston

Jeffrey Gilbert, Paul Bunyan Rural Telephone Cooperative, Bemidji

Craig Gunderson, MTA Vice President, Frontier Communications of Minnesota, Burnsville

JoAnn Hanson, Qwest Communications, Minneapolis

Paul Hoff, Park Region Mutual Telephone Company, Underwood

Ray Winkler, Onvoy

Kenneth Knuth, Woodstock Telephone Company, Slayton

Dean Laliberte, Power Product Services, Hibbing

Kevin T. Larson, Crosslake Communications, Crosslake

Anthony V. Mayer, MTA President, West Central Telephone Association, Sebeka

Ronald D. Nelson, TDS Telecom, New London

Michael J. Nowick, MTA Executive Secretary-Treasurer, Saint Paul

Bill Otis, NU-Telecom, Inc., New Ulm

John Rose, Jr., Albany Mutual Telephone Association, Albany

Dee Ryberg, AT&T Wireless Services, Minneapolis

Richard M. Shelton, Citizens Communications, Mound

Gene R. South, Sr., Lakedale Telephone Company, Annandale

George W. Wikstrom, Wikstrom Telephone Company, Karlstad



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