

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

October 31, 2006

IN RE:)	
)	
JOINT APPLICATION OF BEN LOMAND RURAL)	DOCKET NO.
TELEPHONE COOPERATIVE, INC., VOLUNTEER)	06-00174
ENERGY COOPERATIVE, AND VOLUNTEER FIRST)	
SERVICES, INC. FOR APPROVAL OF ASSET SALE)	

ORDER APPROVING TRANSFER OF ASSETS

This matter came before Chairman Sara Kyle, Director Pat Miller, and Director Ron Jones of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on August 7, 2006 for expedited consideration of the *Joint Application for Approval of Asset Sale* (“*Joint Application*”) filed by Ben Lomand Rural Telephone Cooperative Inc. (“Ben Lomand”), Volunteer Energy Cooperative (“VEC”), and Volunteer First Services, Inc., (“VFS”) (collectively the “Applicants”). The Applicants are seeking approval of the transfer of certain Tennessee assets pursuant to Tenn. Code Ann. § 65-4-130(a) and the Rules of the TRA.

Background

Ben Lomand is a telephone cooperative as defined in Tenn. Code Ann. § 65-29-102 and serves customers in the Tennessee counties of White, Warren, Van Buren, Grundy, and portions of Franklin, Coffee, and Bedford. Ben Lomand’s principal offices are located at 31 Chancery Street, McMinnville, Tennessee 37111-0670. Ben Lomand is the fifth largest telephone

cooperative in the United States and serves approximately 37,000 customers.¹ By order dated April 28, 1999 in Docket No. 98-00600, the TRA granted Ben Lomand the authority to provide intrastate telecommunications services as a competing telecommunications service provider in the State of Tennessee.

VEC is a utility cooperative with its headquarters at 18359 Highway 58 North, Decatur, Tennessee 37322. VEC provides electric service to 17 counties in the Southeast and middle Tennessee.²

VFS is a Tennessee corporation with its principal offices located at 235 O'Brien Drive, Crossville, Tennessee 38557. VFS also operates as an Internet Service Provider ("ISP") and provides other enhanced data services. VFS offers local and long distance telephone service to business and residential customers as well as DSL, ISDN, and T1 access in Crossville, Tennessee. VFS only offers services in Crossville, Tennessee.³ Fifty percent (50%) of the stock of VFS is owned by VEC and fifty percent (50%) of the stock of VFS is owned by Ben Lomand. In Tennessee, VFS is duly authorized by the TRA to provide all forms of facilities-based and resold local exchange and interexchange telecommunications services pursuant to Authority Order dated April 30, 2004 in Docket No. 03-00607.

Joint Application

On June 30, 2006, the Applicants filed a *Joint Application* requesting that the TRA approve a transaction involving the transfer 50% of the stock of VFS from VEC to Ben Lomand. Under the terms of the Stock Purchase Agreement dated July 31, 2006 (the "Agreement"), by and among the Applicants, Ben Lomand will acquire control of VFS through the transfer of 50%

¹ *Joint Application of Ben Lomand Rural Telephone Cooperative, Inc., Volunteer Energy Cooperative and Volunteer First Services, Inc. for Approval of Asset Sale*, p. 4 (June 30, 2006).

² Data Response 1, p. 2 (July 25, 2006).

³ Data Response 1, p. 2 (July 25, 2006).

of stock owned by VEC. Ben Lomand is currently 50% owner of the VFS. At the conclusion of this transaction, Ben Lomand will acquire 100% of the stock of VFS. The Applicants have requested that the Authority grant approval expeditiously due to the time sensitive nature of the transaction. According to the *Joint Application*, this transaction is in the public interest and will be virtually transparent to VFS customers in terms of the services they receive and customers will not experience any interruption in service. Customers will continue to receive their existing services at the same rates, terms and conditions and any future changes in the rates, terms and conditions will be made consistent with Authority requirements.

Statutory and Regulatory Framework

The Applicants submitted the *Joint Application* pursuant to Tenn. Code Ann. § 65-29-130(a). The Joint Applicants stated in the *Joint Application* that they were unclear whether TRA approval was required. However, they submitted the Joint Application in an abundance of caution and requested approval of the asset sale. Although this transaction does not involve the purchase of capital stock by a non-utility, Ben Lomand is acquiring 100% of the stock in VFS and is effectively acquiring full control of VFS. Therefore, this transaction is governed by Tenn. Code Ann. § 65-4-130(a) which provides:

(a) Cooperative and foreign corporations engaged in rendering telephone service in this state pursuant to this chapter fall within the jurisdiction of the Tennessee Regulatory Authority for the sole and specific purposes as set out below:

(1) The establishment of territorial boundaries;

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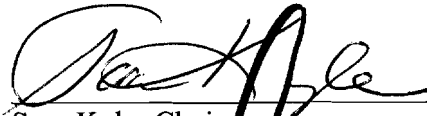
(3) The approval of sales and purchases of operating telephone properties.


August 7, 2006 Authority Conference

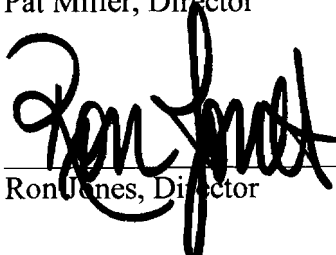
At the regularly scheduled Authority Conference held on August 7, 2006, the Panel voted unanimously to approve the *Joint Application* pursuant to a finding of compliance with the requirements of Tenn. Code Ann. § 65-4-130(a).

IT IS THEREFORE ORDERED THAT:

1. The transfer of certain assets from VEC to Ben Lomand as described in the *Joint Application* and discussed herein, is approved.
2. Upon completion of this transaction, Ben Lomand and VFS shall retain their respective CCNs and continue to provide the same services, at the same rates, terms, and conditions, as provided before the completion of this transaction.


Sara Kyle, Chairman


Pat Miller, Director


Ron Jones, Director