

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE ACQUISITION) Application No. C-1311
FROM US WEST COMMUNICATIONS, INC.)
OF CERTAIN TELEPHONE EXCHANGES BY)
ARAPAHOE TELEPHONE COMPANY,) GRANTED
GREAT PLAINS COMMUNICATIONS, INC.,)
THE NEBRASKA CENTRAL TELEPHONE)
COMPANY AND NORTHEAST NEBRASKA)
TELEPHONE COMPANY.) Entered: May 21, 1996

APPEARANCES

For US West Communications, Inc.
Richard L. Johnson, Esq.
Senior Attorney
200 South 15th Street, #395
Minneapolis, MN 55402

For Arapahoe Telephone Company
Jack W. Besse, Esq.
Knapp, Fangmeyer, Aschwege,
Besse & Marsh, P.C.
4503 2nd Ave., P.O. Box 10
Kearney, NE 68848

For Great Plains Communications,
Inc.:
Wyman E. Nelson, Esq.
1641 Front Street
P.O. Box 186
Blair, NE 68008

For The Nebraska Central
Telephone Company:
Paul M. Schudel
Woods & Aitken
206 South 13 St., Suite 1500
Lincoln, NE 68508

For Northeast Nebraska Telephone
Company:
Crosby, Guenzel, Davis,
Kessner & Kuester
134 South 13th St., Suite 400
Lincoln, NE 68508

For AT&T Communications of the
Midwest, Inc.:
Andrew S. Pollock, Esq.
Knudsen, Berkheimer,
Richardson & Endacott
1000 NBC Center
Lincoln, NE 68508-1474

For the Commission Staff:
Deonne Bruning, Esq.
300 The Atrium, 1200 N Street
Lincoln, NE 68508

OPINION AND FINDINGS

BY THE COMMISSION:

By Joint Application filed March 22, 1996, US West Communications, Inc. ("US West"), and Arapahoe Telephone Company ("Arapahoe"), Great Plains Communications, Inc. ("Great Plains"), The Nebraska Central Telephone Company ("Nebraska Central") and Northeast Nebraska Telephone Company ("Northeast") (collectively the "Purchasers") seek approval of the purchase from US West of certain exchanges by the Purchasers and for the issuance of certificates of convenience and necessity to each of the purchasers for the operation of the exchanges to be acquired by each of the Purchasers. Notice of the Joint Application was

Application No. C-1311

PAGE TWO

published in the Omaha Daily Record on March 26, 1996, pursuant to the Rules of the Commission, and a letter of notification was provided to interested parties also on March 26, 1996. A Petition of Formal Intervention was timely filed by AT&T Communications of the Midwest, Inc. ("AT&T") on April 19, 1996. No protests to the Joint Application were filed. A public hearing on the Joint Application was held May 1, 1996 in Lincoln. Appearances were as shown above. Public meetings regarding the Joint Application were held at Decatur, Spalding, Stuart, Gordon, Brule, Trenton, Farnam and Ravenna from May 2 through May 9, 1996.

1. The Joint Applicants invoke the jurisdiction of the Commission to hear this matter pursuant to Neb. Rev. Stat. Section 75-604 (1994 Cum. Supp.) and Commission Rule 002.26, Chapter 5, Title 291. The Commission finds that each of the Joint Applicants is a common carrier currently engaged in the provision of telecommunications services in the State of Nebraska and subject to the jurisdiction of this Commission.

2. On March 13, 1996, US West and the Purchasers entered into an Agreement for the Purchase and Sale of Exchanges (the "Agreement"). A true and correct copy of the Agreement was received in evidence at the hearing on this matter, being identified as Exhibit 8 and being subject to confidentiality pursuant to a protective filing.

3. In accordance with the terms of the Agreement, US West proposes to sell and transfer control of certain exchanges to the following identified Purchasers:

- (a) Arapahoe will purchase the Brule, Farnam, Loomis and Overton Exchanges;
- (b) Great Plains will purchase the Belgrade, Cedar Rapids, Cody, Crookston, Culbertson, Gordon, Primrose, Rushville, Spalding, Stratton, and Trenton Exchanges;
- (c) Nebraska Central will purchase the Ashton, Boelus, Dannebrog, Elba, Litchfield, Mason City, Ravenna, and Rockville Exchanges; and
- (d) Northeast will purchase the Allen, Bristow, Butte, Decatur, Long Pine, Spencer, Stuart, Waterbury and Winside Exchanges (collectively the "Exchanges").

4. The transaction described in the Agreement has been approved by the Boards of Directors of US West and the Purchasers. Copies of the resolutions granting such approvals of each of the Purchasers are attached to Exhibit 5 which was received in evidence.

Application No. C-1311

PAGE THREE

5. Representatives of each of the Purchasers testified that the Purchasers' objective is that the transfer of operations of the Exchanges be as transparent as possible to the customers served by each of the Exchanges. The representatives also testified that the same services which the customers are now receiving will be continued after the completion of the transfer of the Exchanges, and that the Purchasers have no current intention to increase prices for such services. The acquisition of the Exchanges is not expected to have any immediate effect on existing customers of the Purchasers.

6. US West's representative who testified stated that two employees will be affected by the transfer of the Exchanges, and that both employees will be offered employment at another US West location. Great Plains' and Nebraska Central's representatives indicated that each Company would hire at least one additional employee as a result of the transaction and all Purchasers are evaluating additional personnel requirements.

7. Mr. Pinguoch, Purchasers' representative who testified at the hearing, stated that no immediate facilities upgrades were required in the Exchanges. However, since certain Exchanges have remote switches connected with host switches in exchanges that will be retained by US West, the Purchasers intend to replace such digital and electronic switches in the Exchanges so that switching equipment is compatible with existing equipment utilized by Purchasers. The estimated total cost of such switch replacement, according to Mr. Pinguoch, will be approximately \$2,247,000.

8. Based upon the Commission's familiarity with each of the Purchasers' business practices and operations resulting from ongoing regulatory oversight of the Purchasers, the staffing proposed for the Exchanges, and the technical and managerial capabilities of the Purchasers, the Commission finds that each of the Purchasers is fully qualified to operate the Exchanges to be acquired by each Purchaser.

9. Each of the Purchasers has filed an application with the Commission for approval to issue long term indebtedness for the purpose of financing the acquisition of the Exchanges (see Applications No. C-1327 through C-1330). Filed as part of each such Application is a copy of a signed commitment letter by a lender to provide such financing (see Exhibit 9). The Commission finds that each of the Purchasers is financially qualified to acquire the Exchanges as identified in paragraph 3 above.

10. Exhibit 7 received in evidence at the hearing is a list of the access charge residual (ACR) rates which Purchasers propose to implement for the Exchanges. We note the absence of

Application No. C-1311

PAGE FOUR

objection to the transfer of the Exchanges by AT&T and the absence of protests or interventions in this docket by other inter-exchange carriers. Therefore we conclude the rates which would be implemented upon transfer of the Exchanges and the reductions in such rates which are scheduled to occur at the end of the fourth year following the transfer should be approved.

11. The Purchasers have agreed to record the purchase of the Exchanges in accordance with FCC Part 32 Rules and not to request that any acquisition adjustment be included in developing rates. US West and the Commission Staff have entered into a Stipulation concerning the treatment of the gain realized on the sale of the Exchanges by US West, a copy of which was received in evidence as Exhibit 4. The Commission finds that the terms of the Stipulation are fair and reasonable, will result in a valuable upgrade in the toll facilities serving Nebraska, and should be approved.

12. The Commission finds that the sale by US West, and the acquisition by the Purchasers, of the Exchanges identified in paragraph 3 above is of advantage to the persons to whom service is currently being rendered by US West, that the terms of such purchase and sale as described in the Agreement are fair and reasonable, that the proposed transaction is in the public interest and should be approved by this Commission.

13. We are mindful that due to the fact that approximately 200 South Dakota residents are served from the Exchanges, the South Dakota Commission will be asked to concur in our approval of this transaction. We encourage the applicants to file the necessary information with the South Dakota Commission at its earliest convenience, so that the South Dakota Commission can give its opinion on this transaction in a timely manner.

14. The Purchasers have advised the Commission that each will request price cap and study area waivers from the Federal Communications Commission ("FCC"). This Commission does not object to the FCC granting study area waivers, nor does the Commission object to any reconfiguration of study area boundaries which may be requested by each of the Purchasers relative to the Exchanges to be acquired by each of the Purchasers. Further, we respectfully request the expedited issuance by the FCC of all approvals necessary for the completion of the transaction described in the Agreement.

15. The number of exchanges involved in this transaction, and the fact that four Purchasers will be acquiring Exchanges underscores the likelihood of the need for continuing cooperation

Application No. C-1311

PAGE FIVE

and communication between the Purchasers and the Commission Staff. Each of the representatives of the Purchasers indicated at the hearing that the Purchasers were willing to meet with the Commission Staff periodically to review matters concerning this transaction. The Commission encourages all concerned parties to exercise their good faith efforts with regard to participation in meetings concerning the transaction.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-1311 be, and it is hereby granted, and that US West is authorized to sell and transfer, and the Purchasers are authorized to acquire the Exchanges, and the operating assets and properties associated therewith in accordance with the terms of the Agreement, as follows:

- (a) Arapahoe shall acquire the Brule, Farnam, Loomis and Overton Exchanges;
- (b) Great Plains shall acquire the Belgrade, Cedar Rapids, Cody, Crookston, Culbertson, Gordon, Primrose, Rushville, Spalding, Stratton and Trenton Exchanges;
- (c) Nebraska Central shall acquire the Ashton, Boelus, Dannebrog, Elba, Litchfield, Mason City, Ravenna and Rockville Exchanges; and
- (d) Northeast shall acquire the Allen, Bristow, Butte, Decatur, Long Pine, Spencer, Stuart, Waterbury and Winside Exchanges.

IT IS FURTHER ORDERED that this Order be and it is hereby made the Commission's official Certificate of Public Convenience and Necessity granted to each of the Purchasers to provide telecommunications services to subscribers and to the service areas comprising each of the Exchanges listed following the names of each of the Purchasers in the preceding paragraph of this Order.

IT IS FURTHER ORDERED that US West is authorized to account for the gain realized from the sale of the Exchange in accordance with the terms of the Stipulation, Exhibit 4 herein, and to proceed with the additions to its facilities as set forth in such Stipulation.

Application No. C-1311

PAGE SIX

IT IS FURTHER ORDERED that this Commission does not object to the FCC granting study area waivers, nor does the Commission object to any reconfiguration of study area boundaries which may be requested by each of the Purchasers relative to the Exchanges to be acquired by the Purchasers.

IT IS FURTHER ORDERED that upon completion of the acquisitions by each of the Purchasers, each Purchaser shall file with the Commission a tariff, boundary map and price list for each of the Exchanges which have been acquired by each of such Purchaser.

MADE AND ENTERED at Lincoln, Nebraska, this 21st day of May, 1996.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Lowell Johnson

Daniel G. Brwiler

Jack Sanders
Ann J. Munnich

Chairman

Lowell Johnson

ATTEST:

Robert H. Logsdon
Executive Director