

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the matter of the Acquisition from Eustis Telephone Exchange, Inc., Brady, and Home Telephone Co. of Nebraska, Brady, of certain telephone exchanges by Eustis Acquisition Co., Inc. and Home Acquisition Co., Inc.)	Application No. C-2414 and Application No. C-2415
)	ORDER GRANTING APPLICATION
)	Entered: December 21, 2000

APPEARANCES:

Eustis Telephone Exchange, Inc. and
Home Telephone Company of Nebraska:
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Home Acquisition Co., Inc.:
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BY THE COMMISSION:

By applications filed October 30, 2000, Eustis Telephone Exchange, Inc. (Eustis) and Home Telephone Company of Nebraska (Home) and Eustis Acquisition Co., Inc. (EACI) and Home Acquisition Co., Inc. (HACI) seek approval of the purchase by EACI from Eustis of the Eustis telephone exchange and the purchase by HACI from Home of the Brady and Maxwell telephone exchanges, and assets associated therewith (the Exchanges), issuance of certificates of convenience and necessity to EACI and HACI to provide basic local exchange service and intraLATA interexchange service to customers located in the exchanges, and grant to EACI and HACI of eligible telecommunications carrier (ETC) status pursuant to 47 U.S.C. § 214(c).

For purposes of administrative efficiency, the Commission has joined these two applications together and the findings and orders we enter apply to both applications equally.

Notice of the filing of the applications was published in The Daily Record on November 1, 2000, pursuant to the Rules of the Commission, and a letter of notification was provided to interested parties on November 3, 2000. No protests or petitions for intervention were filed in either of these applications.

A public hearing on the joint applications was held on November 11, 2000 in Lincoln, Nebraska. Appearances were as shown above.

Rodney Chrisp, president and general manager of Eustis and Home Telephone Companies, testified in support of the applications. Mr. Chrisp, his wife and two daughters, are stockholders of Eustis and Home. He has been in the telephone business since 1940 and has entered into the Asset Purchase Agreement in anticipation of retirement. Both EACI and HACI are wholly-owned subsidiaries of Consolidated Companies, Inc., (Consolidated), a Nebraska corporation. He further testified that he was confident in the managerial and technical expertise of Consolidated and its ability to continue to deliver quality telecommunications services. He provided to the Commission a copy of a letter that was sent to the customers of Eustis and Home notifying the customers of the sale of the exchanges.

Also testifying in support of the application was Charles Fast, vice-president of Consolidated. Mr. Fast testified that Consolidated has been providing telecommunications services since 1947, primarily in rural areas. Consolidated currently serves 20 exchanges and has over 4,600 customers. He further testified to the managerial and technical expertise of Consolidated. He also testified as to the financial capability of Consolidated to deliver the services proposed in the application.

Mr. Fast testified that, as a result of the sale and the grant of certificates, there would be no change in local service to the customers in the affected exchanges. He affirmed that rates will be unchanged and that Consolidated will be adopting the tariffs of Eustis and Home. EACI and HACI have entered into a stipulation with the Commission's Nebraska Universal Service Fund (NUSF) Department to the effect that the granting of this application will not directly result in any changes in NUSF obligations and disbursements. Mr. Fast informed the Commission that there will be

public informational meetings to provide details and answer questions on the sale of the exchanges. These meetings will be in Brady on January 16, 2001; in Eustis on January 17, 2001; and in Maxwell on January 18, 2001.

O P I N I O N S A N D F I N D I N G S

The Commission finds that Eustis and Home are common carriers currently engaged in the provision of telecommunications services in Nebraska and are subject to the jurisdiction of this Commission. EACI and HACI are not now engaged in the provision of telecommunications services in Nebraska. However, Consolidated Telephone Company and Consolidated Telco, Inc., affiliates of EACI and HACI, have for many years been engaged in the provision of telecommunications services in Nebraska and are subject to the Commission's jurisdiction. All four of these affiliated entities are owned by Consolidated Companies, Inc.

On October 27, 2000, Eustis, Home and Consolidated entered into an Asset Purchase Agreement pertaining to the exchanges (the Agreement). A true and correct copy of the agreement has been provided to the Commission on a proprietary and confidential basis for review by the Commission and its staff. Pursuant to the terms of the agreement, Consolidated has assigned its rights to EACI to purchase the Eustis telephone exchange and to HACI to purchase the Brady and Maxwell telephone exchanges.

In accordance with the terms of the agreement, Eustis and Home propose to sell and transfer control of the exchanges to Consolidated or its assignees. The transaction described in the agreement, as amended, has received the necessary corporate approvals of Eustis, Home and Consolidated.

Mr. Chrisp, testified that Consolidated was selected as the purchaser of the exchanges based upon its financial, managerial and operational resources; its ability to deliver quality service to customers and particularly to customers in rural areas of Nebraska similar to the exchanges; its experience in integrating purchased properties into its operations; and the purchase price and terms and conditions of the agreement. Mr. Chrisp confirmed the accuracy of the contents of the applications and offered his opinion that the sale of the exchanges is of advantage to the persons served in the exchanges and is in the public interest. He testified that Consolidated has designated a transition team to coordinate the

transition of facilities and customers to EACI and HACI and has, and will continue to keep customers informed concerning the transition.

Mr. Fast described the technical, managerial and financial qualifications of Consolidated and its affiliates. EACI and HACI will have access to management resources of Consolidated and its affiliated companies for planning, marketing, network, service development, provisioning and delivery of telecommunications services. The funding of the acquisition of the exchanges will be provided from the cash and investment portfolio of Consolidated. The financial condition of Consolidated was presented to the Commission and its staff as a proprietary and confidential filing that accompanied the applications. Consolidated's technical capabilities are derived from the operation of existing telecommunications properties by its affiliated companies.

EACI and HACI intend to adopt Eustis' and Home's respective transition plans as approved by this Commission in Application No. C-1628/NUSF. As a part of such plans, residential and business rates will remain unchanged except as provided in such plans and as previously approved by this Commission. EACI and HACI will adopt Eustis and Home's respective tariffs pertaining to local exchange and intraLATA interexchange service. The applicants and the NUSF administrator have entered into a stipulation for the purpose of providing the Commission with an agreed-upon basis for proceeding with the proposed sale. The Commission finds that such stipulation is fair and reasonable and is hereby approved.

EACI and HACI seek designation by this Commission as ETCs. Eustis and Home have been so designated in the exchanges. The Commission finds that EACI and HACI meet all requirements for designation as ETCs and shall, upon closing of the purchase of the exchanges, be so designated in the exchanges.

Based upon the evidence in the record, the Commission finds that the sale by Eustis and Home, and the purchase by EACI and HACI, of the exchanges is of advantage to the persons to whom service is currently being rendered by Eustis and Home, 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 the Commission.

The Commission finds that Eustis and Home have already provided notification to customers in the exchanges of the plan by

Eustis and Home to sell the exchanges to Consolidated. In addition, Mr. Fast has advised the Commission that EACI and HACI will provide further information to these customers and will conduct informational meetings as referenced above. Based upon the evidence offered, the Commission finds that Eustis and Home have satisfied the requirements of Neb. Rev. Stat. § 86-806 (Reissue 1999) relating to discontinuation of service.

The Commission is mindful of the existence of the Telephone Consumer Slamming Prevention Act, Neb. Rev. Stat. § 86-1901 to 1911 (Reissue 1999) (the Anti-Slamming Act), and that the closing of the sale of the exchanges by Eustis and Home to EACI and HACI will, strictly speaking, result in changes of local service and intraLATA interexchange service providers to the customers located in the exchanges. However, the Commission finds that the Anti-Slamming Act is not applicable to these transactions, nor would the policy considerations that underlie the Anti-Slamming Act be served by its application to these transactions for the following reasons: (a) these transactions are subject to the comprehensive regulatory procedures set forth in Rule 002.26, Chapter 5, Title 291 as described above, and to the specific statutory requirements of Neb. Rev. Stat. § 75-604 (2000 Cum. Supp.) relating to the issuance of a certificate of public convenience and necessity to serve the exchanges, such procedures designed to insure that this Commission finds that this transaction is of advantage to customers served and in the public interest prior to granting approval; (b) these transactions are also subject to Neb. Rev. Stat. § 86-806 (Reissue 1999), which requires that notice be given to customers in the exchanges advising of the discontinuation of service by Eustis and Home and the continuation of service to the customers by EACI and HACI (the record demonstrates that there has been compliance with the requirements of this section); and (c) as the purchasers and successors in interest to the Eustis and Home facilities serving the customers in the exchanges, EACI and HACI will not represent any change in service to the customers except with respect to the legal entities that provide such service.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application Nos. C-2414 and C-2415 be and hereby are granted, and that Eustis is authorized to sell and transfer the Eustis telephone exchange and the operating assets and properties

associated therewith to EACI in accordance with the terms of the agreement.

IT IS FURTHER ORDERED by the Nebraska Public Service Commission that Application Nos. C-2414 and C-2415 be and hereby are granted, and that Home is authorized to sell and transfer the Brady and Maxwell telephone exchanges and the operating assets and properties associated therewith to HACI in accordance with the terms of the agreement.

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 EACI to provide telecommunications services, including basic local exchange service and intraLATA interexchange service to customers located in the Eustis telephone exchange, and to the service area comprising such exchange.

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 HACI to provide telecommunications services, including basic local exchange service and intraLATA interexchange service to customers located in the Brady and Maxwell telephone exchanges, and to the service area comprising such exchanges.

IT IS FURTHER ORDERED that EACI and HACI meet all requirements for designation as ETCs and shall, upon closing of the purchase of the exchanges, be so designated in the respective exchanges purchased by each of them.

IT IS FURTHER ORDERED that Eustis and Home have complied with the requirements of Neb. Rev. Stat. § 86-806 (Reissue 1999), and the Commission thereupon approves the discontinuation of service by Eustis and Home to customers in the exchanges.

IT IS FURTHER ORDERED that the Anti-Slamming Act is not applicable to these transactions, nor would the policy considerations that underlie the passage of the Anti-Slamming Act be served by its application to these transactions.

IT IS FURTHER ORDERED that EACI and HACI are obligated to abide by the same laws, rules and regulations, both federal and state (including any laws, rules or regulations regarding universal service and quality of service) applicable to any other local exchange carrier operating in the state of Nebraska.

IT IS FURTHER ORDERED that, to the extent EACI and HACI provide access line service as referenced in the Telecommunications Relay System Act, Neb. Rev. Stat. §§ 86-1302 to 86-1306 (the Relay Act) and defined in Neb. Admin. R. & Reg. Title 291, ch. 5, section 001.01B, EACI and HACI shall collect from their subscribers a surcharge (the Relay Surcharge) pursuant to the Relay Act and the Commission's annual orders establishing the amount of the surcharge, and shall remit to the Commission the proceeds from the relay surcharge as provided by the Relay Act.

IT IS FURTHER ORDERED that EACI and HACI shall comply with all necessary statutes and Commission Rules and Regulations as they pertain to the Nebraska Universal Service Fund.

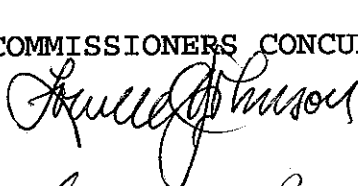
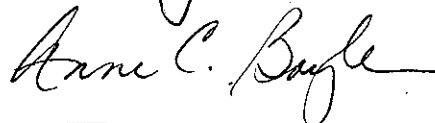
IT IS FURTHER ORDERED that EACI and HACI shall each file, in accordance with the applicable statutes, on or before April 30 of each year, annual reports with the Commission consisting of: (a) a copy of any report filed with the FCC; and (b) a copy of a balance sheet and income statement for the previous year of operation, and for the state of Nebraska on a combined interstate-intrastate basis, the investment in the telephone plant and equipment located within the state, accumulated depreciation thereon, operating revenues, operating expenses and taxes.

IT IS FURTHER ORDERED that upon completion of the acquisition of the exchanges by EACI and HACI, that each shall file with the Commission a tariff, boundary map and price list for the exchanges.

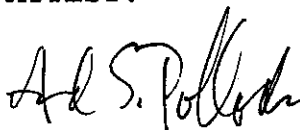
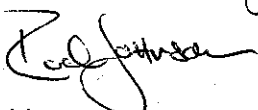
MADE AND ENTERED at Lincoln, Nebraska, this 21st day of December, 2000.

NEBRASKA PUBLIC SERVICE COMMISSION:

COMMISSIONERS CONCURRING:


Chairman

ATTEST:



Executive Director

//s//Frank E. Landis

//s//Daniel G. Urwiller

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION
