

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION TO ASSUME OBLIGATIONS)
AND TRANSFER THE CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY) CASE NO. 9528
OF GTE SPRINT COMMUNICATIONS)
CORPORATION TO US SPRINT)
COMMUNICATIONS COMPANY)

O R D E R

Pursuant to Sections 278.020 and 278.300 of the Kentucky Revised Statutes and Title 807, Chapter 5 of the Kentucky Administrative Regulations, GTE Sprint Communications Corporation ("GTE Sprint") and US Sprint Communications Company ("US Sprint") jointly filed an application to assume obligations and transfer the certificate of public convenience and necessity of GTE Sprint to US Sprint.

A joint venture was implemented by GTE Corporation ("GTE") and United Telecommunications, Inc. ("United") to form a general partnership to pursue jointly the long distance telephone businesses currently operated by GTE Sprint, US Telecom-Communications Services Company ("US Tel"), and certain other GTE and United communications activities. The partnership has been formed under the laws of New York with each partner holding a 50 percent interest in the new company to be called US Sprint.

In this filing the applicants request that US Sprint be permitted to continue to provide the intrastate interLATA

telecommunications service now provided separately by GTE Sprint through the transfer of its Certificate of Public Convenience and Necessity¹ to US Sprint, contingent on receipt of the necessary federal approvals.

GTE is a holding company incorporated in New York. Its wholly owned subsidiary, GTE Communications Services Incorporated, is the parent company of GTE Sprint and is incorporated in Delaware. GTE Sprint, a Delaware Corporation, also, provides communications services throughout the U.S., the U.S. Virgin Islands, Guam, Puerto Rico, and to many international points, including Canada, Australia, and the United Kingdom.

United is a holding company incorporated in Kansas. Its wholly owned subsidiary, US Telecom, Inc., owns US Tel, with both being incorporated in Kansas. US Tel provides long distance telephone services to all 50 states, the U.S. Virgin Islands, and Puerto Rico.² US Telecom, Inc., is constructing a nationwide, all-digital telecommunications network using fiber-optic technology.

All of the assets, licenses, permits, and other authorizations of GTE Sprint, US Tel, and certain other subsidiaries of GTE and United will be contributed to the

¹ Case No. 9030, The Application of the GTE Sprint Communications Corporation for a Certificate of Public Convenience and Necessity to Offer Intercity Telecommunications Services to The Public in The Commonwealth of Kentucky and For The Establishment of Initial Rates, November 21, 1984.

² US Tel does not offer interstate originating service in Kentucky at this time.

partnership upon receipt of government approvals. Applicants state that the partnership will also conduct the business activities of GTE Telenet, US Telecom-Corporate, Inc., US Telecom Data, and US Telecom, Inc.

GTE owns General Telephone Company of the South. The proposed transaction will have no effect upon the affiliated company, in operations or rates. US Sprint will be fully separated from the GTE and United telephone operating companies.

The partnership has created seven regional districts, with Kentucky in the Southeast Division.

Pursuant to Administrative Case No. 273,³ nondominant carriers are subject to an abbreviated form of regulation. Applicants request that they be granted waivers pursuant to Administrative Case No. 273, since US Sprint will have a minimal market share. According to the May 25, 1984, Order, any requirements of 807 KAR Chapter 5 not specifically addressed in the Order are waived as a requirement for nondominant carriers. Applicants believe, therefore, that it is not subject to many of the relevant provisions contained in 807 KAR 5:001, including Sections 4(b), 6 and 10, which specify certain filing and hearing requirements.

It is the view of the Commission that the financial exhibit required by 507 KAR 5:001, Section 6, is not required, but that an application for issuance or assumption of securities or evidence

³ An Inquiry Into Inter- and Intralata Intrastate Competition in Toll and Related Service Markets in Kentucky, May 25, 1984.

of indebtedness is required by RRS 278.300. It must still be filed, although reduced filing requirements for the application are proper given the decision in Administrative Case No. 273. Furthermore, a hearing is not required in this instance, but the waiver of Section 4 of 807 KAR 5:001 does not prevent the Commission from holding one if it is determined to be necessary in other instances.

Applicants further state that there will be no negative impact on the customers of GTE Sprint or interruption of customer service in Kentucky.

With the proposed combination, applicants assert they are striving to attract a subscriber base large enough to achieve low unit costs despite high fixed costs by offering a wide array of high-quality and reliable transmission services and to establish a strong financial base to assure customers of permanency in the market by the carrier. The joint venture, according to applicants, will allow a sharing of expenses, avoid duplication of services, and provide a choice of services to consumers in Kentucky, and will thus be in the public interest.

Wherefore, the Commission, being advised, finds that the assumption of obligations and transfer of the certificate of public convenience and necessity should be approved on the condition that the following undertakings are assumed by the parties indicated:

1. Prior to offering any intrastate services on the fiber-optic network, US Sprint will request any necessary authorizations from the Commission.

2. Applicants will file the definitive agreement between the partners upon execution.

3. Applicants will file with the Commission all actions taken by the Federal Communications Commission ("FCC") and the Justice Department in response to their filings, inclusive of the consent evidencing FCC approval of the transactions.

4. GTE Sprint will file copies of the journal entries to close its books.

5. US Tel will file copies of the journal entries to close its books.

6. US Sprint will file copies of its journal entries which effect the combination for the partnership.

7. US Sprint will have the responsibility of filing future Annual Reports for its Kentucky operations.

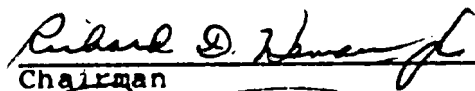
IT IS THEREFORE ORDERED that:

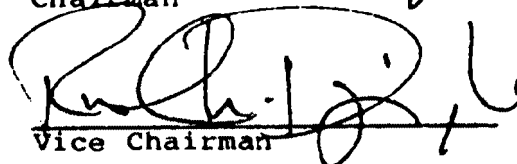
1. The assumption of obligations and transfer of the certificate of public convenience and necessity of GTE Sprint to US Sprint be and it hereby is approved on the conditions indicated.

2. Named parties shall respond in writing to each of the conditions set forth in the findings within 90 days of the date of this Order.

Done at Frankfort, Kentucky, this 2nd day of June, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary