

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF US SPRINT COMMUNICATIONS)
COMPANY FOR APPROVAL OF CERTAIN TRANS-) CASE NO.
ACTIONS UNDER KRS 278.020) 10353

O R D E R

On August 17, 1988, US Sprint Communications Company ("US Sprint") filed an application ("the Application"), pursuant to KRS 278.020, requesting approval of certain transactions ("the Proposed Transaction") that will result in a change of ownership and control of US Sprint. This Order grants the approval requested by US Sprint.

US Sprint, a New York general partnership, is an equally owned joint venture between US Telecom, Inc., a subsidiary of United Telecommunications, Inc. ("United Telecom") and GTE Communications Services, Inc., a subsidiary of GTE Corporation ("GTE"). US Sprint, the third largest interexchange carrier in the United States, is currently authorized to provide intrastate, interLATA services within Kentucky.

THE PROPOSED TRANSACTION

On July 20, 1988, United Telecom and GTE entered into an acquisition agreement whereby United Telecom would purchase from GTE a controlling interest in US Sprint. A copy of the proposed

acquisition agreement has been filed as part of Exhibit A¹ to the Application. Additionally, United Telecom's 1987 Annual Report has been made a part of the Application.

At the time of the scheduled closing on January 3, 1989, the existing general partnership will be dissolved, and all the interests of US Sprint will be transferred to a newly created Delaware limited partnership, US Sprint Communications Company Limited Partnership, ("US Sprint L.P.") d/b/a US Sprint Communications Company. US Sprint L.P. will be assigned the assets and will assume the liabilities of the existing partnership.

After the acquisition United Telecom will own 80.1 percent of US Sprint.² GTE will own, as a limited partner, 19.9 percent of US Sprint. United Telecom will retain an option to purchase GTE's remaining interest. GTE will retain an option to require United Telecom to purchase GTE's remaining interest. Both options, which are more fully described in the Application, expire December 31, 1995.

¹ Exhibit A to the application is a copy of US Sprint's "Application for Consent to Assignment of Radio Authorizations and Transfer of Control" filed with the Federal Communications Commission ("FCC") on July 22, 1988. US Sprint, as a holder of Radio Station licenses, permits and other domestic and international authorizations, has filed an application (FCC Form 702) for the transfer of those various authorizations. The proposed acquisition agreement is Exhibit 6 to US Sprint's FCC Form 702 filing.

² 50 percent of US Sprint will be held as a general partnership interest by US Telecom. 30.1 percent of US Sprint will be held as a limited partnership interest by UCOM, Inc., another United Telecom subsidiary.

The transaction will be transparent to US Sprint's customers. Following the closing of the transaction, US Sprint will continue to provide service under its existing Kentucky intrastate tariff.

APPLICABLE LAW

Pursuant to KRS 278.020(4), persons under the jurisdiction of the Commission must receive Commission approval prior to the acquisition or transfer of ownership or control of a utility. The Proposed Transaction, which will establish United Telecom as the sole general partner in US Sprint, constitutes a change in control within the meaning of KRS 278.020(4) and (5). However, KRS 278.020(5) is inapplicable to the Proposed Transaction, due to the exception contained within KRS 278.020(6). US Sprint derives a greater percentage of its gross revenues from the provision of interstate services than from Kentucky intrastate services. Additionally, the Proposed Transaction is subject to the approval of the FCC, insofar as the assignment of radio station licenses, construction permits and other authorizations is required before the Proposed Transaction may be concluded. It is the Commission's opinion that the FCC proceeding affords protection to Kentucky ratepayers substantially equal to that afforded such ratepayers by KRS 278.020(5). Therefore, KRS 278.020(4) governs the Proposed Transaction.

The Commission is of the opinion that approval of the Proposed Transaction may enhance US Sprint's ability to compete in the Kentucky intrastate interexchange telecommunications market. The newly created US Sprint L.P., controlled by United Telecom,

will continue to have the financial, technical, and managerial abilities to provide reasonable service.


The Commission FINDS that the proposed acquisition of control of US Sprint, as described in The Application, is consistent with the requirements of KRS 278.020(4) and should be approved.

IT IS THEREFORE ORDERED that:

1. The Proposed Transaction be and it hereby is approved;
2. Within 30 days of the closing of the Proposed Transaction, US Sprint L.P. shall give notice to the Commission of the closing;
3. Within 30 days of the closing of the Proposed Transaction, US Sprint L.P. file an adoption notice pursuant to 807 KAR 5:011, Section 11. US Sprint L.P. shall file a new tariff, unless it continues to do business as US Sprint Communications Company.

Done at Frankfort, Kentucky, this 20th day of October, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director