

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LITEL TELECOMMUNICA- )  
TIONS CORPORATION FOR AUTHORITY TO )  
GUARANTEE \$140 MILLION IN SECURED )  
SENIOR NOTES ISSUED BY ITS PARENT, ) CASE NO. 89-308  
LCI COMMUNICATIONS INC. AND FOR )  
ADDITIONAL AUTHORITY TO EXECUTE )  
RELATED DOCUMENTATION )

O R D E R

On October 27, 1989, LiTel Telecommunications Corporation ("LiTel") filed an application pursuant to KRS 278.300 and 807 KAR 5:001, Sections 6, 8 and 11, seeking authority from the Commission to guarantee \$135 million (subsequently amended to \$140 million) of secured senior notes issued by its corporate parent LCI Communications, Inc. ("LCI") and to execute the documentation necessary to complete the financing. The guarantee imposes on LiTel the obligation to pay any portion of the principal or interest due in the event that LCI defaults on such payments.

LiTel was granted a Certificate of Public Convenience and Necessity to provide interLATA telecommunications service as a facilities-based carrier in Case No. 10090.<sup>1</sup>

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<sup>1</sup> Case No. 10090, The Application of LiTel Telecommunications Corporation for a Certificate of Public Convenience and Necessity to Provide Intrastate Long Distance Telephone Service to the Public in the Commonwealth of Kentucky and for the Establishment of Rates.

In its application LiTel correctly states that it is a non-dominant carrier, subject only to those requirements of 807 KAR Chapter 5 which were expressly imposed on non-dominant carriers in Administrative Case No. 273.<sup>2</sup> The Order in Administrative Case No. 273 did not specifically require compliance by non-dominant carriers with regulations governing financing applications. Therefore, LiTel is not required to file the financing information required under 807 KAR 5:001.

However, the authority to guarantee the debt of another party does require Commission approval under KRS 278.300. Specifically, the statute prohibits any utility from issuing securities or evidences of indebtedness, or assuming any obligation or liability with respect to securities or evidences of indebtedness of any other person until it has been authorized to do so by Order of the Commission. The statute further states that the Commission will not approve the assumption unless it finds that the issue or assumption is for some lawful object within the corporate purposes of the utility. The application states that the proceeds of the financing would be used to 1) help LCI finance the purchase of another utility, 2) to refinance existing LCI debt, and 3) to provide working capital for LCI. The Commission has some concerns that the purpose of this financing is not for the benefit of LiTel, but rather for its parent company.

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<sup>2</sup> Administrative Case No. 273, An Inquiry Into Inter- and Intralata Intrastate Competition In Toll and Related Services Markets In Kentucky.

However, the Commission is aware that LiTel is a non-dominant carrier providing service in a competitive marketplace. LiTel's exit from such a marketplace would not harm its current customers because there are similar companies in the marketplace that could fill the void should LiTel become unable to continue providing service because of any financial problems that might arise from the guarantee of the parent company's debt. The financial consequences would impact the shareholders of the corporation and not the public.

The Commission being otherwise sufficiently advised,

IT IS ORDERED that the application of LiTel seeking authority to guarantee the principal and interest relating to the \$140 million secured senior notes issued by its corporate parent LCI and to execute the necessary documentation to complete the financing is approved.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities described herein.

Done at Frankfort, Kentucky, this 23rd day of February, 1990.

PUBLIC SERVICE COMMISSION

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Chairman

A handwritten signature in black ink, appearing to read "Robert M. Davis".

Vice Chairman

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Commissioner

ATTEST:

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Executive Director