COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR AUTHORITY FOR FRONTIER CORPORATION TO ACQUIRE CONTROL OF ALLNET COMMUNICATION SERVICES, INC.	)))	CASE NO. 95-227

O R D E R

On May 17, 1995, Frontier Corporation ("Frontier")[1] and Allnet Communication Services, Inc. ("Allnet") (hereinafter collectively referred to as "Joint Applicants") filed an application ("Application") pursuant to KRS 278.020(4) and KRS 278.020(5)[2] for necessary Commission approval of a transaction whereby Frontier will acquire operating control of Allnet's ultimate parent corporation, ALC Communications Corporation ("ALC") and, in turn, of Allnet. Allnet, a Michigan corporation, was authorized by the Commission to provide telecommunications services in Kentucky in Case No. 9031.[3]

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[1] Formerly Rochester Telephone Corporation.

[2] Frontier also cited KRS 278.300 in its application. However, it does not appear from the application that the jurisdictional utility involved, Allnet, will issue any securities or evidences of indebtedness, or will assume any liability as a result of the proposed transaction. Consequently, KRS 278.300 does not apply.

[3] Case No. 9031, The Application of Allnet Communication Services, Inc., for a Certificate of Public Convenience and Necessity to Operate as an Interexchange Carrier of Telecommunications Services and for the Establishment of Initial Rates Within Kentucky, Order dated November 21, 1984.

The proposed transaction will take place pursuant to an Agreement and Plan of Merger ["Agreement," Exhibit C to Application] which provides that a subsidiary of Frontier, Frontier Subsidiary One, Inc., will merge with and into ALC, with ALC being the surviving corporation [Agreement, at 2]. Shares of Frontier Subsidiary One, Inc. common stock will be converted to shares of ALC common stock, and each shareholder of ALC common stock will receive two shares of $1 par value Frontier common stock for each share of ALC common stock held. After completion of the merger, ALC will be a subsidiary of Frontier, and Allnet will remain a direct subsidiary of ALC. Joint Applicants state that after the merger is complete, approximately 49 percent of the outstanding shares of Frontier common stock will be held by former shareholders of ALC and that two of ALC's inside directors and two of ALC's outside directors will become members of Frontier's Board of Directors [Application, at 5, fn. 5].

Frontier, a New York corporation, is the parent of a number of local telephone companies in thirteen states and of several long distance companies certificated in many states, including Kentucky.[4] Financial information for Frontier, its Form 10-K for the fiscal year ended December 31, 1994, filed March 28, 1995 with the Securities and Exchange Commission, is attached as Exhibit B to

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[4] Frontier Communications International Inc. (formerly RCI Long Distance, Inc.), a Frontier subsidiary, was authorized to provide services as a reseller of intrastate operator-assisted telecommunication services in Kentucky in Case No. 94-146, Application of RCI Long Distance, Inc. for a Certificate to Resell Telecommunications Service, Order dated July 13, 1994.

the Application. Joint Applicants state that Frontier, which is a parent company of several authorized telecommunications carriers, and which has annual revenues exceeding $900 million, is well-qualified to acquire control of Allnet.

Joint Applicants submit that the proposed transaction will result in significant economic and marketing efficiencies and that Allnet will continue to provide high quality, affordable services pursuant to its tariff currently on file at the Commission. Joint Applicants state that, since the proposed transaction will result only in a change in the ultimate corporate parent of Allnet, it will cause no inconvenience or confusion to Allnet's customers, to whom the transaction will be virtually transparent in terms of the services they receive. Finally, Joint Applicants state that, after the consummation of the proposed transaction, Allnet will continue to rely upon many of its existing management and operations staff to provide service.

Pursuant to KRS 278.020(4), all persons are required to obtain Commission approval prior to the acquisition or transfer of ownership or control of a utility under the jurisdiction of the Commission. KRS 278.020(5) prohibits any entity from acquiring control of any utility under the jurisdiction of the Commission without prior approval. The Commission finds that KRS 278.020(4) and (5) are applicable to the proposed transaction as described by Joint Applicants. Therefore, Commission approval is necessary.

The Commission finds that the proposed transaction is consistent with the public interest and that it will be made in accordance with law and for a proper purpose. The Commission has already determined, in Case No. 94-491,[5] that the acquiror possesses the financial, technical, and managerial abilities to provide reasonable service to the public. This determination is confirmed by information submitted by Joint Applicants in this case. Accordingly, the proposed transaction should be approved.

IT IS THEREFORE ORDERED that:

1. The proposed transaction as described by the Joint Applicants is hereby approved.

2. Joint Applicants shall notify the Commission within ten days of the date of closing of the proposed transaction or, in the alternative, shall notify the Commission if the proposed transaction does not occur.

3. Within 10 days of the closing of the proposed transaction, Frontier shall file organizational charts reflecting all Kentucky telecommunications operations, all associated ownership interests, all associated corporate names, and all associated business names.

Done at Frankfort, Kentucky, this 10th day of July, 1995.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Linda K Breathitt

Commissioner

ATTEST:

Don Mills

Executive Director

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[5] Case No. 94-491, Application for Authority for Rochester Telephone Corporation to Acquire Control of West Coast Telecommunications, Inc., Order dated February 2, 1995.