

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF)
KENTUCKY RSA #1, INC., KENTUCKY)
RSA #2, INC., KENTUCKY RSA #3,)
INC., KENTUCKY RSA #9-10, INC.,)
KENTUCKY RSA #11, INC. AND)
UNITED STATES CELLULAR)
OPERATING COMPANY FOR A)
DETERMINATION THAT NO)
APPROVAL IS REQUIRED FOR THE) CASE NO. 96-599
MERGER OF KENTUCKY RSA #1, INC.)
KENTUCKY RSA #2, INC., KENTUCKY)
RSA #3, INC., KENTUCKY RSA #9-10,)
INC. AND KENTUCKY RSA #11, INC.)
INTO UNITED STATES CELLULAR)
OPERATING COMPANY WITH UNITED)
STATES CELLULAR OPERATING)
COMPANY BEING THE SURVIVING)
CORPORATION (THE MERGER), OR)
ALTERNATIVELY, FOR APPROVAL OF)
THE MERGER)

O R D E R

On December 12, 1996, Kentucky RSA #1, Inc., Kentucky RSA #2, Inc., Kentucky RSA #3, Inc., Kentucky RSA #9-10, Inc., Kentucky RSA #11, Inc. (the "Kentucky RSA Companies") and United States Cellular Operating Company (collectively, "Joint Applicants") filed an application ("Application") for Commission approval of the merger of the Kentucky RSA Companies into United States Cellular Operating Company, with United States Cellular Operating Company being the surviving corporation. In the alternative, Joint Applicants request the Commission issue an Order stating that its approval is not required for the consummation of the merger. Each of the Kentucky RSA

Companies is authorized to provide telecommunications service in Kentucky. See Case No. 94-397;¹ Case No. 93-276;² Case No. 93-118;³ Case No. 94-385;⁴ Case No. 91-247.⁵

Kentucky RSA #2, a Georgia corporation, Kentucky RSA #3, Inc., a Kentucky corporation, and Kentucky RSA #11, Inc., a Delaware corporation, are wholly owned

¹ Case No. 94-397, The Joint Application of Telephone and Data Systems, Inc., an Iowa Corporation, Kentucky RSA #1, Inc., a Kentucky Corporation, PC Cellular of Kentucky, L.P. a Delaware Limited Partnership, Equicell of Kentucky, Inc., a Delaware Corporation, PC Cellular, Inc., a Delaware Corporation and George L. Schrenk for Approval of the Acquisition of all Partnership Interests in PC Cellular of Kentucky, L.P. by Kentucky RSA #1, Inc., and for Establishment of Initial Tariffs Describing Conditions of Service.

² Case No. 93-276, The Joint Application of Telephone and Data Systems, Inc., an Iowa Corporation, United States Cellular Corporation, a Delaware Corporation, and Mo-Tel Cellular, Inc., a Georgia Corporation d/b/a Cellular One Western Kentucky Cellular Telephone Company and d/b/a Western Kentucky Cellular Telephone Company for Approval of the Merger of a Wholly-Owned Subsidiary of Telephone and Data Systems, Inc. and Mo-Tel Cellular, Inc. and Transfer of the Surviving Corporation to United States Cellular Corporation.

³ Case No. 93-118, The Joint Application of Telephone and Data Systems, Inc., United States Cellular Corporation and Tsaconas Cellular, Inc. for the Approval of the Acquisition of Tsaconas Cellular, Inc. by Telephone and Data Systems, Inc. and the Transfer to United States Cellular Corporation.

⁴ Case No. 94-385, The Joint Application of Telephone and Data Systems, Inc., an Iowa Corporation, Kentucky RSA #9-10, Inc., a Kentucky Corporation, and Alpha Cellular Telephone Company, a Florida General Partnership, for Approval of the Acquisition by Telephone and Data Systems, Inc. Of Those Assets of Alpha Cellular Telephone Company Constituting the Non-Wireline Cellular Operations in Kentucky Rural Service Areas 9 and 10, the Transfer of Such Assets to Kentucky RSA #9-10, Inc., and Establishment of Initial Tariffs Describing Conditions of Service.

⁵ Case No. 91-247, The Application of First Kentucky Cellular Corp., a Delaware Corporation d/b/a Cellular Telephone Company of Kentucky, for the Issuance of a Certificate of Convenience and Necessity to Provide Domestic Public Cellular Radio Telecommunications Service to the Public in the Kentucky Rural Service Area Which Includes Bell, Clay, Harlan, Knox, Leslie, and Whitley Counties in Kentucky, for Approval of Financing, and for Establishment of Initial Rates.

subsidiaries of United States Cellular Corporation. Kentucky RSA #1, Inc. and Kentucky RSA #9-10, Inc., Kentucky corporations, are wholly owned subsidiaries of United States Cellular Operating Company. United States Cellular Operating Company, a Delaware corporation, is in turn a wholly owned subsidiary of United States Cellular Corporation. Thus, the proposed transaction is a corporate reorganization, and ultimate control over all the affected utilities will remain with United States Cellular Corporation.

KRS 278.020(4) provides that no person shall acquire or transfer ownership or control, or the right to control, any utility under the jurisdiction of the Commission without prior approval of the Commission. KRS 278.020(5) prohibits any person or entity from acquiring control of any utility under the jurisdiction of the Commission without prior approval. Pursuant to KRS 278.020(6)(b), subsection (5) does not apply to a transfer of a utility when, as here, acquirer and utility are under common control. Consequently, subsection (5) does not apply. However, there is no exception to KRS 278.020(4) for corporate reorganizations. Consequently, KRS 278.020(4) applies, and Commission approval is necessary. Pursuant to statute, approval should be granted if the acquirer has the financial, technical, and managerial abilities to provide reasonable service. KRS 278.020(4).

As the Commission has previously found, see, e.g., Case No. 94-385, United States Cellular Corporation is well qualified to provide telecommunications service in Kentucky. Joint Applicants state in the Application, at 8, that United States Cellular Corporation is a well financed company with an excess of \$1 billion in assets. United States Cellular Operating Company also has been found to possess the financial,

technical, and managerial abilities to provide service. In addition to Kentucky RSA #1, Inc. and Kentucky RSA #9-10, Inc., United States Cellular Operating Company owns cellular interests in Kentucky which include United States Cellular Operating Company of Evansville, Inc., which owns 78.125 percent of Evansville Cellular Telephone Company and United States Cellular Operating Company of Owensboro, which owns an 81.1517 percent general partnership interest and a 0.6600 percent limited partnership interest in Owensboro Cellular Telephone Company, L.P.

Joint Applicants state the merger will be transparent to the merging companies' customers and that service will continue to be provided under the name of United States Cellular Mobile Network. United Cellular Operating Company states it will submit Adoption Notices, the forms of which comprise Exhibit 4 to the Application, stating it adopts the tariff of each of the merging Kentucky RSA Companies. Based on the record herein, the Commission finds that the proposed merger should be approved. The Commission also finds that, pursuant to 807 KAR 5:011, Section 11, executed copies of the required Adoption Notices should be filed upon consummation of the proposed transaction.

IT IS THEREFORE ORDERED that:

1. The transaction proposed by Joint Applicants is hereby approved.
2. Within 10 days of the consummation of the proposed transaction, the required Adoption Notices shall be filed with the Commission.
3. Within 10 days of the consummation of the proposed transaction, Joint Applicants shall file with the Commission a chart displaying the corporate structure of the

United States Cellular Corporation companies as it will exist subsequent to the merger described herein.

Done at Frankfort, Kentucky, this 7th day of January, 1997.

PUBLIC SERVICE COMMISSION

Linda K. Beath
Chairman

Evan J. [Signature]
Vice Chairman

B. J. Helton
Commissioner

ATTEST:

Don Mills
Executive Director