

COMMONWEALTH OF KENTUCKY

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BEFORE THE PUBLIC SERVICE COMMISSION

FEB 24 2006

In the Matter of:

PUBLIC SERVICE
COMMISSION

APPLICATION FOR APPROVAL OF)
THE TRANSFER OF CONTROL OF)
ALLTEL KENTUCKY, INC. AND)
KENTUCKY ALLTEL, INC. AND FOR)
AUTHORIZATION TO GUARANTEE)
INDEBTEDNESS)

CASE NO. 2005-00534

Notice of Filing of Decision of North Carolina
Public Utilities Commission

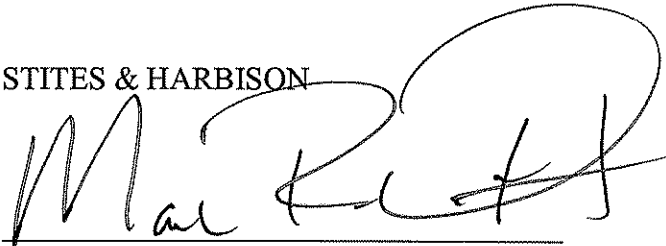
At the request of the Commission Staff, Applicants file the February 22, 2006 decision of the North Carolina Public Utilities Commission in Docket No. P-118, Sub 149, *In the Matter of Application of Alltel Carolina, Inc. to Pledge Assets to Secure Loan.*

In approving the financing transaction, the North Carolina Commission found, *inter alia*, that the financing transactions “are for a lawful object within the corporate purposes of the Company; are compatible with the public interests ... [and] will not impair the Company’s ability to perform its public service....”

Dated: February 24, 2006.

Respectfully submitted,

STITES & HARBISON

A handwritten signature in black ink, appearing to read "Mark R. Overstreet". The signature is written in a cursive style with a large, prominent loop at the end of the last name.

Mark R. Overstreet
STITES & HARBISON PLLC
421 W. Main Street
P.O. Box 634
Frankfort, KY 40602-0634
(502) 223-3477
moverstreet@stites.com

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served via United States Postal Service, First Class Mail, postage prepaid, and electronic transmission upon the following:

Douglas F. Brent
Stoll Keenon & Ogden, PLLC
2650 Aegon Center
400 West Market Street
Louisville, Kentucky 40202
e-mail: brent@skp.com

John E. Selent
Dinsmore & Shohl, LLP
1400 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
e-mail: selent@dinslaw.com

David Barberie
Department of Law
Lexington-Fayette Urban County Government
200 East Main Street
Lexington, Kentucky 40507
e-mail: dbarberi@lfucg.com

Dennis Howard
Office of the Attorney General
Suite 200
1024 Capital Center Drive
Frankfort, Kentucky 40601
e-mail: dennis.howard@ag.ky.gov

Amy E. Dougherty
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615
e-mail: aedougherty@ky.gov

Don Meade
Priddy, Isenberg, Miller & Meade, PLLC
800 Republic Building
429 West Muhamad Ali
Louisville, Kentucky 40202
e-mail: dmeade@pimmlaw.com

on this the 24th day of February, 2006.



Mark R. Overstreet

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. P-118, SUB 149

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application of Alltel Carolina, Inc. To Pledge) ORDER AUTHORIZING
Assets to Secure Loan) EXECUTION OF
) GUARANTEE AND PLEDGE
) OF ASSETS

BY THE COMMISSION: Alltel Carolina, Inc., filed a Petition on January 24, 2006, pursuant to N.C.G.S. § 62-160 and Commission Rule R1-16, requesting permission to execute certain guarantees and pledge assets and property to secure loans described therein. Alltel Carolina, Inc., states that the guarantee and pledge are to be made in connection with the planned separation of the wireline business of Alltel Corporation (which includes Alltel Carolina) from Alltel Corporation's wireless business.

This matter was presented to the Commission for its consideration at the Commission's weekly Staff Conference on February 20, 2006. Based upon the verified Application and the Commission's entire files and records, the Commission now makes the following

FINDINGS OF FACT

1. Alltel Carolina, Inc. ("the Company") is a corporation duly organized and existing under the laws of the State of North Carolina having its principal office and place of business in Matthews, North Carolina. The Company is a public utility providing local exchange and other telecommunications services in various North Carolina exchanges located in the service areas assigned to it by the Commission.

2. The Company is owned by Alltel Corporation. Alltel Corporation also owns significant wireless operations. Alltel Corporation plans to separate its wireline business from its wireless business and to convey its wireline business assets, including the stock of the Company, to a new holding company. Alltel Corporation will first transfer ownership of its ILECs and its other incumbent local exchange company subsidiaries to a subsidiary named Alltel Holding Corp. Alltel Holding Corp. will merge into Valor Communications Group, Inc., a holding company with its own local exchange operating company subsidiaries in various parts of the southwestern United States, resulting in the creation of what the Company describes as the "Merged Wireline Business." Following this merger, Alltel shareholders will own 85% of the Merged Wireline Business and Valor shareholders will own 15%. The Merged Wireline Business will serve approximately 3.4 million access lines in 16 states, and its revenues will be

approximately \$3.4 billion per year.

3. After the effective date of the transaction, ALLTEL Carolina will be renamed and it will offer the same telecommunications services as are currently being provided. Customers will continue to receive their existing telecommunications services at the same rates, terms, and conditions and any future changes in rates, terms or conditions of service will be consistent with any applicable provision of the North Carolina Public Utilities Act, the Commission's rules, and the price regulation plan which governs the Company.

4. The planned transaction is expected to better position the combined wireline entity to compete in the marketplace and provide telecommunication services to consumers in North Carolina at competitive rates. This transaction is expected to create new growth opportunities for the separate wireline entity, giving the combined wireline business sufficient scale to compete on its own and to be able to take advantage of strategic, operational and financial opportunities.

5. NCGS §62-133.5(g) removes price regulated companies, such as the Company, from the application of GS §62-111 which pertains to mergers, consolidations, and combinations of public utilities. However, the Company seeks approval of the Guarantees and Liens described in its Petition. A Schedule of Proposed Debt summarizing the proposed indebtedness of the Merged Wireline Business is set forth in Exhibit 1 to the Petition.

6. JP Morgan and Merrill Lynch (the "Lenders"), have delivered a commitment (the "Commitment Letter") to provide senior secured credit facility borrowings of the Merged Wireline Business in an amount up to \$4.2 billion (referred to in the Commitment Letter and hereafter as, the "Facilities"). A copy of the Commitment Letter is Exhibit 2 to the Petition. The transactions will also require the Merged Wireline Business to issue senior unsecured notes in an amount no less than \$1.54 billion (which notes are referred to in the Commitment Letter and hereafter as the "Notes"). To the extent that the Notes exceed \$1.54 billion, the borrowings available under the Facilities will be reduced by a corresponding amount. The terms of the Notes will be determined based on market conditions in a private placement or public offering to be conducted prior to the closing of the transactions.

7. As part of the Commitment Letter, and as specified in the Exhibits to the Commitment Letter, the Lenders have required that all affiliates of the Merged Wireline Business, which would include the Company, give their Guarantees of the Facilities, Secured Cash Management Agreements and Secured Hedge Agreements associated with the senior secured debt financing of the transactions at issue here (the "Facility Guarantees"). Additionally, and as further specified in the Exhibits to the Commitment Letter, the Facility Guarantees are to be secured by perfected first-priority liens on the assets of the respective guarantors, including the Company, as described in the Commitment Letter (the "Liens"). The terms and conditions of the Facilities, Secured Cash Management Agreements and Secured Hedge Agreements associated with the senior secured debt financing of the transactions at issue here are also identified in the Commitment Letter.

8. While the terms of the Notes will be determined by market conditions at the time of the offering of the Notes, the affiliates of the Merged Wireline Business, including the Company, will be required to execute Guarantees of the new holding company's obligations under the Notes (the "Note Guarantees"). However, the Notes will be unsecured and will not be secured by Liens.

9. Valor currently has \$400 million in Senior Notes that will be assumed by the Merged Wireline Business to the extent the holders of such notes do not require the surviving corporation to repurchase the notes pursuant to certain rights that will be triggered by the transactions. To the extent that the Valor Senior Notes remain outstanding, the amount of the borrowings available under the \$4.2 billion Facility will be correspondingly reduced by the dollar amount of such outstanding notes, and all affiliates of the Merged Wireline Business, including the Company, will be required to execute Guarantees of all obligations under the Valor Senior Notes (the "Valor Note Guarantees;" the Facility Guarantees, Note Guarantees, and the Valor Note Guarantees are referred to collectively as the "Guarantees") and the Liens may apply equally and ratably to secure the obligations under the Valor Senior Notes. To the extent the Valor Senior Notes are tendered by their holders pursuant to the rights triggered by the transactions, borrowings will be made under the Facilities in the amounts required to repurchase such tendered Valor Senior Notes.

10. The Guarantees will be contingent liabilities of the Company. The Facilities and the Notes will be serviced by the consolidated cash flows of the holding company for the Merged Wireline Business resulting from the merger transaction described herein.

11. The Company will not make retail or wholesale rate adjustments as a result of the Guarantees or the Liens. The Guarantees and the Liens will provide specific benefits to the Merged Wireline Business by significantly reducing the debt servicing costs of the senior secured facility and the Notes. In addition, by virtue of the Guarantees and the Liens a revolving \$500,000,000 credit facility will be available to the new holding company, and this will be a source of capital for use by the Company.

12. The sources and uses of funds for the debt financing addressed are described in the Commitment Letter and are summarized in Exhibit 1 to the Petition. At the closing of the transactions, it is expected that the Guarantees will involve an aggregate of up to \$5.74 billion in obligations as set forth in the Schedule of Proposed Debt. None of those funds and none of their associated obligations are directly payable by the Company. The Guarantees and the Liens are required for the reorganization and recapitalization of the Merged Wireline Business of which the Company will be a part.

CONCLUSIONS

Based upon the foregoing Findings of Fact in the entire record in this proceeding, the Commission is of the opinion and so finds and concludes that the transaction or transactions proposed and described in the Petition of Alltel Carolina, Inc.:

- (i) are for a lawful object within the corporate purposes of the Company;
- (ii) are compatible with the public interests;
- (iii) are necessary or appropriate for or consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) will not impair the Company's ability to perform its public service; and
- (v) are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS, THEREFORE, ORDERED as follows:

That Alltel Carolina, Inc. is hereby authorized and permitted to execute the Valor Note Guarantees, the Facility Guarantees and the Note Guarantees (collectively "the Guarantees") and to execute the documents to create the Liens described in its Petition. The approval given herein is limited to the execution of the Guarantees and the documents necessary to create the Liens. Any Lender or other party seeking to exercise any remedy under the Guarantees or the Liens as to any asset of Alltel Carolina, Inc. must petition the Commission for authority to take any such action;

Based on the foregoing, Alltel Carolina, Inc., is hereby authorized:

- (i) to execute the Guarantees on the terms and conditions described in the Petition;
- (ii) to pledge assets or otherwise create the Liens as described in the Petition, on the terms and conditions described therein;
- (iii) to execute and carry out such instruments, documents and agreements as shall be necessary or appropriate in order to effectuate the transactions described in the Petition.

IT IS FURTHER ORDERED that the proceeds resulting from the financing transaction described in the Petition shall be used for the purposes described in the Petition.

ISSUED BY ORDER OF THE COMMISSION

This the 22nd day of February, 2006.

NORTH CAROLINA UTILITIES COMMISSION



Patricia Swenson, Deputy Clerk