

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF TELEPHONE AND DATA SYSTEMS,)
INC., AN IOWA CORPORATION, UNITED STATES)
CELLULAR CORPORATION, A DELAWARE CORPORATION,)
AND FIRST KENTUCKY CELLULAR CORP., A DELAWARE)
CORPORATION FOR APPROVAL OF (1) THE MERGER OF)
FIRST KENTUCKY CELLULAR CORP. AND A WHOLLY OWNED)
SUBSIDIARY OF TELEPHONE AND DATA SYSTEMS, INC.,)
WITH FIRST KENTUCKY CELLULAR CORP. THE SURVIVING) CASE NO.
ENTITY, AND THE TRANSFER OF FIRST KENTUCKY) 94-398
CELLULAR CORP. TO UNITED STATES CELLULAR)
CORPORATION, AND (2) FOR APPROVAL OF A TARIFF)
DESCRIBING CONDITIONS OF SERVICE TO BE PROVIDED)
BY FIRST KENTUCKY CELLULAR CORP. FOLLOWING)
CONSUMMATION OF THE ACQUISITION OF FIRST)
KENTUCKY CELLULAR)

O R D E R

On October 27, 1994, Telephone and Data Systems, Inc. ("TDS"), United States Cellular Corporation ("USCC"), and First Kentucky Cellular Corporation ("First Kentucky"), (hereinafter collectively referred to as "Joint Applicants") filed an application pursuant to KRS 278.020(4) and KRS 278.020(5) for necessary Public Service Commission ("Commission") approval of the acquisition of First Kentucky by USCC.

The proposed transaction will take place pursuant to a Merger and Exchange Agreement dated June 23, 1994, the terms of which provide that TDS will purchase from Thomas G. Ward, First Kentucky's sole shareholder, all issued and outstanding shares of First Kentucky. A wholly owned subsidiary of TDS will be merged with First Kentucky, with First Kentucky the surviving corporation.

As a result of the merger, First Kentucky will be a wholly owned subsidiary of TDS. Subsequently, TDS will exchange all of the common shares of First Kentucky for common shares of USCC, and First Kentucky will thereby become a wholly owned subsidiary of USCC. As part of the merger and exchange, First Kentucky will be renamed Kentucky RSA #11, Inc.

TDS, an Iowa corporation, owns subsidiaries that provide communication services including local exchange, cellular telephone, and radio paging services. USCC is a Delaware corporation which, through direct or indirect subsidiaries, owns or owns controlling interest in cellular telephone systems that provide service in the Evansville, Indiana/Henderson, Kentucky MSA,¹ the Owensboro, Kentucky MSA,² Kentucky Rural Service Area

¹ Evansville Cellular Telephone Company was authorized to provide cellular telephone service in the Kentucky portion of the Evansville, Indiana/Henderson, Kentucky MSA by Order of the Commission dated June 16, 1988, in Case No. 10228, In the Matter of the Application of Evansville Cellular Telephone Company for Establishment of Initial Rates and for the Issuance of a Certificate of Public Convenience and Necessity to Provide Domestic Public Cellular Radio Telecommunications Service to the Public in Evansville, Indiana Metropolitan Statistical Area, Including Parts of Henderson County, Kentucky.

² United States Cellular Operating Company of Owensboro, an indirect subsidiary of USCC which was formerly known as Kentucky Cellular, Inc., was authorized to provide cellular service in the Owensboro MSA by Order of the Commission dated January 31, 1990, in Case No. 10286, In the Matter of Application of Kentucky Cellular, Inc. for Issuance of a Certificate of Public Convenience and Necessity to Provide Domestic Cellular Radio Telecommunications Service to the Public in the Owensboro Metropolitan Statistical Area, and for Establishment of Initial Rates.

2,³ and Kentucky Rural Service Area 3.⁴ First Kentucky is a Delaware corporation which holds the Federal Communications Commission license for Rural Service Area 11 ("RSA 11"). First Kentucky was authorized by the Commission to provide service in Kentucky RSA 11 in Case No. 91-247.⁵

Joint Applicants submit 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

³ Kentucky RSA #2, Inc., a wholly owned subsidiary of USCC, holds the non-wireline license for Kentucky Rural Service Area 2. The Commission approved the transfer of Kentucky RSA #2, Inc. to USCC in its Order dated October 5, 1993, in Case No. 93-276, In the Matter of 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.

⁴ Kentucky RSA #3, Inc., a wholly owned subsidiary of USCC, holds the non-wireline license for Kentucky Rural Service Area 3. The Commission authorized United States Cellular Corporation's acquisition of Kentucky RSA #3, Inc. by Order dated June 28, 1993 in Case No. 93-118, In the Matter of The Joint Application of Telephone and Data Systems, Inc., United States Cellular Corporation and Tsaconas Cellular, Inc. for Approval of the Acquisition of Tsaconas Cellular, Inc. by Telephone and Data Systems, Inc. and Transfer to United States Cellular Corporation.

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 Public 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.

previously determined, in Case No. 93-276⁶ and Case No. 93-118⁷ that USCC and TDS have the financial, technical, and managerial abilities to provide reasonable service in Kentucky. Joint Applicants further state that customers may benefit from the administrative efficiencies available to USCC.

Pursuant to KRS 278.020(4), persons under the jurisdiction of the Commission are required to obtain Commission approval prior to the acquisition or transfer of ownership or control of a utility. 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.

Pursuant to Administrative Case No. 344,⁸ cellular utilities are not required to file with the Commission tariffs containing wholesale or retail rates. However, cellular utilities must file tariffs describing their wholesale and retail conditions of service. Rather than adopting First Kentucky's current tariff, the acquirors propose to maintain uniformity among USCC affiliates' tariffs in Kentucky. Consequently, an original proposed tariff for Kentucky RSA #11, Inc. was filed with this application. The Joint

⁶ See Footnote No. 3.

⁷ See Footnote No. 4.

⁸ Administrative Case No. 344, Inquiry into the Provision and Regulation of Cellular Mobile Telephone Service in Kentucky, Order dated August 5, 1994.

Applicants also have filed with the Commission copies of the First Kentucky tariff annotated to demonstrate the ways in which it differs from the proposed tariff.

The Commission, having determined that KRS 278.020(4) and (5) are applicable to the proposed transaction, finds that the acquirors have demonstrated the financial, technical, and managerial abilities to provide reasonable service to the public, and that the proposed transaction is consistent with the requirements of KRS 278.020(4) and (5) and should be approved.

The Commission further finds that the proposed tariff of RSA #11, Inc. should be approved with the following modifications:

1. Refer to Original Sheet 14, Section XIX, Disconnection of Service for Cause, Heading A. Substitute for the existing paragraph the following language:

Upon non-payment of any sum due the Company, or upon violation of any of the conditions governing service, the Company may terminate service to the customer in accordance with 807 KAR 5:006, Section 14.

2. Refer to Original Sheet 14, Section XX, Termination by Customer. Include under this heading terms which are consistent with 807 KAR 5:006, Section 12, and which are applicable to termination by customers other than resellers and bulk users.

3. Refer to Original Sheet 10, heading styled "Section IX.B. (Con't.)." Change the text to "IX.A. (Cont.)."

4. Refer to Original Sheet 10, third full paragraph. Insert, after the words "18 months," the words "the Company shall notify customers in writing that."

5. Refer to Original Sheet 8, V. Add an additional item "L" and include in it the following language:

Acceptance of the liability provisions contained in this tariff by the Commission does not constitute its determination that the limitation of liability provided by the Company should, or would, be upheld in a court of law. The Commission recognizes that, just as it is within the province of the courts to adjudicate negligence claims and rights to recover damages therefor, it is also within the province of the courts to determine the validity of the exculpatory provisions of this tariff.

6. Refer to Original Sheet 6, IV, Term. Include terms of service for those customers who are not identified as authorized resellers or bulk users.

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.

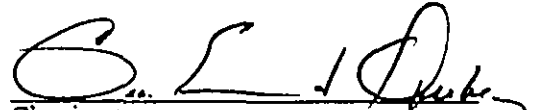
3. Within 10 days of the date of the consummation of the proposed transaction, Kentucky RSA #11, Inc. shall file with the Commission a tariff that incorporates the modifications stated previously in this Order.

4. Within 30 days of the date of this Order, TDS and USCC shall file organizational charts reflecting all Kentucky cellular

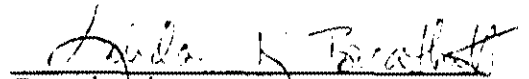
operations, all associated ownership interests, all associated corporate names, and all associated business names.

Done at Frankfort, Kentucky, this 13th day of December, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director