

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF BELL ATLANTIC)	
CORPORATION AND GTE CORPORATION)	CASE NO. 98-519
FOR ORDER AUTHORIZING TRANSFER)	
OF UTILITY)	

O R D E R

On October 2, 1998, GTE Corporation ("GTE") and Bell Atlantic Corporation ("Bell Atlantic") filed an application for merger, pursuant to KRS 278.020. Applicants have mutually agreed with the Commission to extend the period of Commission review. Sprint Communications Company L.P. ("Sprint") and the Attorney General's Office of Utility and Rate Intervention ("AG") have been granted intervention. The Commission has determined to hold a public hearing in this matter. The hearing will address, but not be limited to, the following items: (1) whether the merged utility's operations support systems will promote local telephone competition in Kentucky; (2) whether the size of the merged utility will create the potential for diminished service quality for Kentucky customers; (3) how the merged utility will promote the public convenience by improving local competition; (4) if the merged utility will increase its market power to the extent of effectively controlling prices and eliminating the development of effective competition; (5) how Kentucky consumers will benefit from any cost savings resulting from the merger; (6) what steps the merged utility will take to ensure GTE's current and projected Kentucky infrastructure is in compliance with Commission rules; (7) how the merged utility will ensure a continuing presence in Kentucky of adequate personnel; (8) whether the Commission will continue to have appropriate access to necessary books and

records of the merged utility; and (9) a description of the alignment of affiliates of the merged utility.

In addition, the applicants should file written responses to the following items within 20 days of the date of this Order:

1. Provide GTE's various measures and objectives for operational control mentioned in John A. Genger's testimony on page 4, line 9.
2. In H. Chris Jacobi's testimony, he states that the companies estimate savings from the merger of the two parent companies will reach \$2 billion by the third year after the merger is completed. Please detail, explain and quantify how these savings will flow to the ratepayers of Kentucky.
3. In response to Sprint's data request number 10, GTE and Bell Atlantic state that they do not propose changes to the rates or tariffs of GTE in Kentucky. Explain why the expected merger savings will not be passed on to the ratepayers of Kentucky.
4. Based on revenues and capital, what percentage does GTE's Kentucky intrastate operations represent of the final combined merged entity?
5. Will GTE seek to change the manner in which it is regulated by this Commission after the merger (i.e., a price cap plan)?
6. Will Bell Atlantic support GTE's efforts to develop its COSTMOD program?
7. Discuss and explain Bell Atlantic's and GTE's positions regarding universal service and the development of a high cost fund.

8. Provide the status of the merger applications for those jurisdictions that have completed the process, including a copy of the final order or other similar documentation.

The Commission, having otherwise been sufficiently advised, HEREBY ORDERS that:

1. Within 20 days of the date of this Order, Bell Atlantic and GTE shall respond to the above questions.

2. There will be a public hearing on March 3, 1999, at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission offices at 730 Schenkel Lane, Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 27th day of January, 1999.

By the Commission

ATTEST:

Executive Director