

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 9th
day of December, 1992.

In the matter of the application requesting)
authority for (1) the merger of Contel of)
Arkansas, Inc. d/b/a GTE Arkansas, Contel of)
Kansas, Inc. d/b/a GTE Systems of Arkansas) CASE NO. TM-93-128
and GTE Arkansas Incorporated; and (2) for the)
transfer of certificates of public convenience)
and necessity.)

ORDER APPROVING MERGER

On October 9, 1992, Contel of Arkansas, Inc. d/b/a GTE Arkansas (Contel of Arkansas), Contel of Kansas, Inc. d/b/a GTE Systems of Arkansas (Contel of Kansas), and GTE Arkansas Incorporated (GTE Arkansas) filed an application requesting authority to merge the three companies and to transfer the certificates of public convenience and necessity of Contel of Arkansas to GTE Arkansas. The companies propose to complete the merger transactions by December 31, 1992, and have requested expedited treatment of their application.

Contel of Arkansas is authorized to do business in Missouri as a foreign corporation and provides telecommunications services to 600 customers in Missouri from central offices located in Arkansas. The Missouri locations are the Pea Ridge exchange with 106 customers served from Pea Ridge, Arkansas, and the Seligman exchange with 494 customers served from Gateway, Arkansas.

GTE Arkansas, a Delaware corporation, is a newly formed subsidiary of Contel of Kansas authorized to do business in Missouri as a foreign corporation. The Company was formed for the purpose of rendering telecommunications services primarily in Arkansas. GTE Arkansas is not yet authorized to provide nor is it providing any telecommunications services in Missouri.

The companies state that the proposed transactions will be transparent to the customers as there will be no change to the current operations of the regulated subsidiaries and none of the rates, terms, or conditions for the provision of telecommunications services which are on file with and approved by the Commission will change as a result of the proposed merger. The application states that GTE Arkansas will adopt such rates, terms and conditions as its own. The application also states that the proposed merger and transfer of the certificates of public convenience and necessity will not be detrimental to the public interest because it will simplify the administration of the business including accounting and contracting functions, and will reduce customer and employee confusion regarding the legal entity of the business.

On November 23, 1992, the Staff of the Commission (Staff) filed a memorandum recommending that the Commission approve the companies' application. Staff states that upon implementation of the merger, GTE Arkansas will have a capital structure comprised of 57.2 percent common equity and 42.8 percent long-term debt and that Staff believes such a capital structure to be reasonable. Staff also stated that the proposed transaction will be essentially transparent to Missouri customers. Staff further stated that GTE Arkansas should be required to either file a proposed tariff adoption notice for approval by the Commission to be placed in the front of the Contel of Arkansas tariff, or file a complete new tariff reflecting the merger of the companies.

The Commission finds that the proposed merger will have a minimal impact on Missouri jurisdictional operations. The Commission also finds that the resulting capital structure of GTE Arkansas is reasonable. Thus, the Commission finds that the proposed merger is not detrimental to the public interest and should be approved.

IT IS THEREFORE ORDERED:

1. That Contel of Arkansas, Inc. d/b/a GTE Arkansas, Contel of Kansas, Inc. d/b/a GTE Systems of Arkansas and GTE Arkansas Incorporated are hereby authorized to merge in accordance with the application and this Order.

2. That Contel of Arkansas, Inc. d/b/a GTE Arkansas, Contel of Kansas, Inc. d/b/a GTE Systems of Arkansas and GTE Arkansas Incorporated are hereby authorized to take any and all other actions necessary to effectuate the merger authorized in Ordered Paragraph 1.

3. That, upon the consummation of the merger authorized in Ordered Paragraph 1, GTE Arkansas Incorporated shall file either a proposed tariff adoption notice for approval by the Commission to be placed in the front of the current tariff of Contel of Arkansas, Inc. d/b/a GTE Arkansas, or a complete tariff reflecting the merger.

4. That, upon the filing by GTE Arkansas Incorporated as directed in Ordered Paragraph 3, the certificates of public convenience and necessity currently held by Contel of Arkansas, Inc. d/b/a GTE Arkansas shall be transferred to GTE Arkansas Incorporated.

5. That nothing in this order shall be considered as a finding by the Commission of the value for ratemaking purposes of the properties herein involved, nor as an acquiescence in the value placed upon said property by the companies herein involved.

6. That the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions in any later proceeding.

7. That this Order shall become effective on December 22, 1992.

BY THE COMMISSION

(S E A L)

Brent Stewart

Brent Stewart
Executive Secretary

McClure, Chm., Mueller, Rauch,
Perkins and Kincheloe, CC., Concur.