

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 12th
day of December, 1995.

In the matter of the Joint Application for)
permission for Eastern Missouri Telephone)
Company and Missouri Telephone Company to)
merge with and into ALLTEL Missouri, Inc.) Case No. TM-95-87

ORDER APPROVING MERGER

On September 23, 1994 Eastern Missouri Telephone Company (EMTC), Missouri Telephone Company (MTC), and ALLTEL Missouri, Inc. (ALLTEL) (jointly the Companies) filed a Joint Application with the Missouri Public Service Commission (Commission) for permission to merge MTC and EMTC with and into ALLTEL. The Companies subsequently filed a Supplemental Joint Application on October 17, 1994. On November 21, 1994 the Commission issued an Order and Notice which established an intervention deadline of December 21, 1994.

As a result of various motions and as a result of a Stipulation and Agreement which was filed in this case on August 30, 1995 the posture of the case changed significantly from the Application which was originally filed. Therefore, on November 9, 1995 the Commission issued an Order and Notice in which it created a separate case for the disposition of the issues regarding alleged overearning and modernization of the merged entity. That case is Case No. TO-96-147. This case, TM-95-87, has been maintained solely for the purpose of addressing the merger of the Companies.

On November 29, 1995 the Telecommunications Department Staff of the Missouri Public Service Commission (Staff) filed its Memorandum in which it recommended approval of the proposed merger. The Staff has stated that the proposed merger results in no change in the actual ownership and control of the Companies except that the assets of EMTC which are currently held on a second-tier subsidiary level will, as a result of the merger, now be held on a first-tier subsidiary level of ALLTEL. As the surviving corporation, ALLTEL Missouri, Inc. will continue to provide telecommunications services to the former subscribers of all three companies. This merger transaction will have no direct impact on ALLTEL Corporation's consolidated capital structure or other financial ratios. Staff has stated that from a financial position the pro forma merged capital structure of ALLTEL will not be heavily debt leveraged and will fall within the "AA" bond rating classification. The merger should have no material impact on the overall weighted cost of capital for the surviving company.

On October 17, 1994 the Companies submitted a Supplemental Joint Application which clarified the position taken with regard to depreciation rates. The Staff has concluded that the Companies have correctly calculated the weighted average depreciation rates for the merged entity. Those rates are attached hereto as Attachment A.

The Companies have requested, and the Staff has recommended, that the merger be allowed to become effective on January 1, 1996. ALLTEL will be directed to file a consolidated tariff with an effective date of January 1, 1996. It is anticipated that the consolidated tariff will not only reflect the corporate changes which have occurred as a result of this case but will also reflect any changes which are ordered in Case No. TO-96-147. If Case No. TO-96-147 has not been resolved in time to allow this to

happen, then in the alternative ALLTEL shall file adoption notices in any existing tariffs of EMTC and MTC. Those adoption notices should reflect ALLTEL as the local telephone company providing service out of those tariffs. Each adoption notice should also reflect the specific exchanges served by the respective tariff. In the case of adoption notices, these too shall bear an effective date of January 1, 1996.

The Commission has reviewed the Application, the Staff Memorandum, and the entirety of the case file and makes the following findings. The Commission finds that EMTC, MTC, and ALLTEL are all corporations duly organized and existing under the laws of the state of Missouri. The principal office and place of business for EMTC, MTC, and ALLTEL is located at 1705 South Lillian Street, Bolivar, Missouri 65613. The Companies are local exchange telecommunications companies and public utilities as defined in § 386.020, RSMo 1994. Therefore, the Companies are subject to the jurisdiction, supervision, and regulatory control of the Commission.

The Commission finds that MTC currently provides basic local telecommunications service and exchange access service in the exchanges of Grant City, Allendale, Albany, Union Star, Pattonsburg, Coffey, Jameson, Gallatin, Winston, Stockton, Fair Play, Polk, Aldrich, Bolivar, Halfway, Morrisville, and Pleasant Hope.

The Commission finds that EMTC provides basic local telecommunications service and exchange access service to the exchanges of Bellflower, Eolia, Martinsburg, Middletown, New Hartford, Olney, and Silex.

The Commission finds that ALLTEL provides basic local telecommunications service and exchange access service to the exchanges of Clubb, Crocker, Dixon, Doniphan, Fairdealing, Fairview, Florence, Grandin, Greenville, Holliday, Iberia, Laclede, Liberal, Madison, Mendon, Milan,

Mindenmines, Myrtle, Naylor, Nellyville, Oxly, Patterson, Piedmont, Ponder, Purdy, Rothville, St. Elizabeth, Stark City, Stotts City, Stover, Sumner, Vandalia, Verona, Wappapello Park, Wheaton, and Williamsville.

The Commission finds that the proposed merger is not detrimental to the public interest because it will not adversely affect MTC's, EMTC's, or ALLTEL's operations or ratepayers. The Commission finds that the surviving entity will continue to provide telecommunications services to the former subscribers of the Companies according to the terms and conditions of tariffs authorized by the Commission. The Commission will approve the merger according to the terms set out in the Staff Memorandum.

IT IS THEREFORE ORDERED:

1. That Eastern Missouri Telephone Company and Missouri Telephone Company shall be merged into and with ALLTEL Missouri, Inc.
2. That the composite depreciation rates for the surviving corporation, which were filed with the Supplemental Joint Application and agreed to by all parties herein, shall be approved for use as of the effective date of the merger.
3. That the surviving corporation, ALLTEL Missouri, Inc., shall file adoption notices in the existing respective tariffs of Missouri Telephone Company, Eastern Missouri Telephone Company, and ALLTEL Missouri, Inc. to reflect ALLTEL Missouri, Inc. as the local telephone company providing service out of those tariffs and setting out the specific exchanges served by the respective tariff with an effective date of January 1, 1996 unless otherwise directed by a subsequent order of the Commission in Case No. TO-96-147.

4. That this order shall become effective on January 1, 1996.

BY THE COMMISSION

David L Rauch

David Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Kincheloe,
and Drainer, CC., Concur.
Crumpton, C., Not Participating.