

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 25th day of  
April, 2006.

In the Matter of the Application for Approval       )  
of the Transfer of Control of Alltel Missouri, Inc.,    )  
and the Transfer of Alltel Communications, Inc.,       )  
Interexchange Service Customer Base                    )

**Case No. TM-2006-0272**

**ORDER APPROVING STIPULATION AND AGREEMENT**

Issue Date: April 25, 2006

Effective Date: May 5, 2006

Syllabus: This order approves the stipulation and agreement submitted by the parties.

On December 22, 2005, Alltel Missouri, Inc., Alltel Communications, Inc., Alltel Holding Corp., Alltel Holding Corporate Services, Inc., and Valor Communications Group, Inc., submitted a joint application seeking Commission approval of a plan to transfer control of Alltel Missouri, Inc., to Alltel Holding Corp. The application also seeks approval to transfer Alltel Communications, Inc.'s interexchange service customer base to Alltel Holding Corporate Services, Inc. These two transactions are part of an overall transaction wherein Alltel Corporation is separating its wireline business from its wireless business and merging the wireline business with Valor Communications Group, Inc.

The Commission invited intervenors to apply by February 2, 2006. None applied. On April 13, 2006, the joint applicants, the Staff of the Missouri Public Service Commission,

and the Office of the Public Counsel filed a Unanimous Stipulation and Agreement. A copy of the stipulation and agreement is attached to this order as Attachment A.

The joint applicants ask the Commission to approve their plan to spin off the wireline incumbent local exchange and interexchange services to become part of an independent, stand-alone operation. Alltel Missouri, Inc., Alltel Communications, Inc., and Alltel Holding Corp. are currently subsidiaries of Alltel Corporation. First, Alltel Corporation will transfer control of Alltel Missouri, Inc., and Alltel's other incumbent local exchange company subsidiaries to Alltel Holding Corp. The customer base of Alltel Communications, Inc.'s interexchange businesses will be transferred to Alltel Holding Corporate Services, Inc., which will become a wholly-owned subsidiary of Alltel Holding Corp. The ownership of Alltel Holding Corp. will then be transferred from Alltel Corporation to its shareholders, thereby establishing Alltel Holding Corp., with its subsidiary Alltel Holding Corporate Services, Inc., as a stand-alone holding company. Finally, Alltel Holding Corp. will merge with Valor Communications Group, a holding company with its own local exchange company subsidiaries operating in the states of Texas, New Mexico, Oklahoma and Arkansas, resulting in the "merged wireline business." Diagrams of the pre-separation and post-separation corporate structures and the merged wireline business are attached to the application as Exhibits 1, 2 and 3.

On January 23, 2006, the joint applicants filed a First Supplement to their application seeking approval for Alltel Missouri, Inc., to give its Guarantees and Liens to secure debt financing of the transactions proposed in this process. The joint applicants now advise that Alltel Missouri, Inc., will not be required to execute such Guarantees and Liens, therefore, approval for their execution is no longer required or sought by the applicants.

The joint application sought a waiver of the application of 4 CSR 240-3.535(1)(A), the rule requiring an application for authority to acquire stock of a public utility to include a statement of the offer to purchase the stock or a copy of any agreement entered with shareholders to purchase stock. The joint applicants allege good cause for the waiver because the transfer of ownership of Alltel Missouri, Inc., to Alltel Holding Corp. will occur by intercompany transfer and there will be no “purchase” of stock as contemplated by Rule 3.535(A). The parties stipulate and agree that a waiver of that rule should be granted, for good cause, for the reasons set forth here and in the stipulation.

The stipulation and agreement provides that the existing certificates of service authority held by Alltel Missouri, Inc., Alltel Communications, Inc., and Alltel Holding Corporate Services, Inc., should remain in effect as of the date of closing of the transfer of control described in the application.

The parties to the stipulation and agreement agree that the Commission should approve the joint application and allow the spin-off to proceed, subject, however, to several conditions specified in the stipulation and agreement. The parties to the stipulation and agreement agree that, subject to the agreed upon conditions, the transaction proposed in the joint application is not detrimental to the public interest.

The Staff filed Suggestions in Support of Stipulation and Agreement on April 18, 2006, addressing, primarily, the financial conditions to place upon the companies to ensure that Missouri customers continue to receive safe and adequate service at just and reasonable rates after the close of this transaction. Staff states the conditions it proposed and agreed to by the joint applicants in the stipulation and agreement ensure that the transaction contemplated by the joint applicants is not detrimental to the public interest.

The Commission has the legal authority to accept a stipulation and agreement as offered by the parties as a resolution of the issues raised in this case.<sup>1</sup> Furthermore, Section 536.090, RSMo Supp. 2005, provides that when accepting a stipulation and agreement, the Commission does not need to make either findings of fact or conclusions of law. The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence.<sup>2</sup> Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the stipulation and agreement.

Based on the agreement of the parties, the Commission believes that the parties have reached a just and reasonable settlement.

**IT IS ORDERED THAT:**

1. The Unanimous Stipulation and Agreement filed on April 13, 2006, is approved as a resolution of all issues in this case (See Attachment A).
2. All signatory parties are ordered to comply with the terms of the Stipulation and Agreement.
3. The transaction described in the Application for Approval of Transfer of Control of Alltel Missouri, Inc., and Transfer of Alltel Communications, Inc. Interexchange Service Customer Base, filed on December 22, 2005, is not detrimental to the public interest and is approved, subject to the terms and conditions of the Stipulation and Agreement.

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<sup>1</sup>Section 536.060, RSMo Supp. 2005.

<sup>2</sup> *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

4. Nothing in this order shall be considered a finding by the Commission of the value of these transactions for ratemaking purposes. The Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions, and their results in cost of capital, in any later proceeding.

5. This order shall become effective on May 5, 2006.

6. This case shall be closed on May 6, 2006.

**BY THE COMMISSION**

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale  
Secretary

( S E A L )

Davis, Chm., Murray, Gaw, Clayton and Appling, CC., concur

Reed, Regulatory Law Judge