

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

April 19, 2006

IN RE:

JOINT APPLICATION BY TELECOM MANAGEMENT, INC.  
D/B/A PIONEER TELEPHONE AND ADELPHIA  
TELECOMMUNICATIONS, INC. FOR APPROVAL  
OF AN ASSET PURCHASE AGREEMENT AND  
TRANSFER OF CUSTOMERS

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DOCKET NO.  
05-00277

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ORDER APPROVING TRANSFER OF AUTHORITY

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This matter came before Director Deborah Taylor Tate, Director Pat Miller and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on December 12, 2005 for consideration of the *Joint Application* filed on October 12, 2005 by Telecom Management, Inc. d/b/a Pioneer Telephone ("Pioneer") and Adelphia Telecommunications, Inc. ("Adelphia") (together "Applicants"). In the *Joint Application*, the Applicants request approval of a transaction by which Pioneer will acquire substantially all of the assets of Adelphia.

**The Joint Application**

Pioneer is a corporation headquartered in Maine. In Tennessee, Pioneer provides resold long distance telecommunications services pursuant to Authority Order in Docket No. 04-00316 issued on December 1, 2004.

Adelphia is a Delaware corporation. In Tennessee, Adelphia services 440 customers and provides local and long distance telecommunication services pursuant to Authority Order in Docket No. 99-00580 issued on February 29, 2000.

On October 12, 2005, the Applicants filed the *Joint Application* notifying the TRA of the proposed transfer of authority that will result from an Asset Purchase Agreement (“Agreement”) that was entered into on July 8, 2005. Pursuant to the Agreement, Pioneer will acquire substantially all of the assets of Adelphia, including, but not limited to Adelphia’s customer accounts in the State of Tennessee. Because Pioneer will acquire all of the assets of Adelphia, Adelphia will cease operations in Tennessee and surrender its authority in Tennessee.

According to the *Joint Application*, Adelphia has been operating under the protection of the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) since June 25, 2005. The *Joint Application* states that the sale of the customers and assets of Adelphia pursuant to the Agreement has been approved by the Bankruptcy Court. The Applicants maintain that Adelphia’s financial difficulties substantially limit its ability to compete effectively and hamper the company’s ability to obtain the resources required to fulfill customer requests and continue to provide high quality services.

The *Joint Application* states that pursuant to the Agreement, Pioneer will receive ownership, right, title and interests in and to substantially all of Adelphia’s assets, including its customer accounts, as defined in the Agreement. In addition, the bankruptcy estate of Adelphia will receive the purchase price set forth in the Agreement, pursuant to an order of the Bankruptcy Court approving the Agreement. The *Joint Application* states that Pioneer is well-qualified to consummate the transactions. The Applicants assert that the technical, managerial, and financial personnel of Adelphia will assist Pioneer with the transition and integration of the acquired assets after consummation of the transaction.

The *Joint Application* states that Pioneer will continue to provide the same services at the same rates, terms and conditions as it did prior to completion of the transfer. Additionally, Pioneer asserts that any future changes in its rates, terms or conditions of service will be made consistent with applicable law and Authority rules. The Applicants state that the transfer benefits Adelphia

customers by providing them assurances that they will continue to receive the same high quality services previously provided to them. In addition, the *Joint Application* indicates that Adelphia customers will be informed and/or receive notification of the Acquisition, and that the Acquisition will not in any way be detrimental to the public interests of the State of Tennessee.

According to the *Joint Application*, this transaction serves the public interest by creating a heightened level of operating efficiency, which generally will serve to enhance the overall capacity of Pioneer to compete in the marketplace and to provide telecommunications services for a greater number of consumers in Tennessee at competitive rates. In addition, the transfer will serve the public interest in that it will ensure that current Adelphia customers maintain uninterrupted service, and the transaction will not cause any change to the rates or terms and conditions of service that Adelphia's customers receive.

#### **The December 12, 2005 Authority Conference**

Tenn. Code Ann. § 65-4-112 (2004) requires that public utilities obtain TRA approval before merging or consolidating property, rights or franchises with utilities of like character holding a Certificate of Public Convenience and Necessity ("CCN") in the State of Tennessee. Tenn. Code Ann. § 65-4-112(a) (2004) provides:

No lease of its property, rights, or franchises, by any such public utility, and no merger or consolidation of its property, rights and franchises by any such public utility with the property, rights and franchises of any other such public utility of like character shall be valid until approved by the [A]uthority, even though power to take such action has been conferred on such public utility by the state of Tennessee or by any political subdivision of the state.

Regarding the transfer of customer base, TRA Rule 1220-4-2-.56(2)(d) states:

(d) In the case of a transfer of a customer base between two or more telecommunications service providers, the Authority, upon petition by the acquiring telecommunications service provider, may deem that sufficient notice has been given and approval received from the affected customers when the following criteria are met:

1. The acquiring telecommunications service provider shall provide the Authority a copy of the self-certification letter it shall file with the Federal Communications Commission

("FCC"), as required in CC Docket No. 00-257, certifying that the customer transfer is in compliance with all FCC regulations governing such transactions.

2. A notification letter, pre-approved by the Authority, shall be mailed by the current provider of telecommunications service to its customers describing the customer transfer and explaining that unless the customer selects another telecommunications service provider, the customers' local or long distance service will be transferred to the acquiring telecommunications service provider by a date specified in the notification letter. The notification letter shall be mailed by U.S. First Class Postage, with the logo or name of the current provider displayed on both the letterhead and the exterior envelope, no less than thirty (30) days prior to the actual customer transfer. For good cause shown, the Authority may waive any requirement of this part or order any requirement thereof to be fulfilled by the acquiring provider. Good cause includes, but is not limited to, evidence that the current provider is no longer providing service in Tennessee.

3. The acquiring telecommunications service provider agrees to pay any fees charged to the customer associated with changing service to the acquiring telecommunications service provider. The notification letter required in 1220-4-2-.56(2)(d)(2) shall inform the customer of this provision.

4. The acquiring telecommunications service provider agrees to provide to the affected customers a thirty (30) day written notice of any rate increase that may affect their service up to ninety (90) days from the date of the transfer of customers. The notification letter mentioned in 1220-4-2-.56(2)(d)(2) shall inform the customer of this provision.

At the regularly scheduled Authority Conference held on December 12, 2005, the panel found that approval of the proposed transaction is required pursuant to Tenn. Code Ann. § 65-4-112 (2004) and TRA Rule 1220-4-2-.56(2)(d). The panel voted unanimously to approve the transaction pursuant to a finding of compliance with Tenn. Code Ann. § 65-4-112 (2004) and subject to approval by the FCC. The panel also voted unanimously to approve the customer notification letter contingent on certain modifications being made to the letter prior to it being mailed to customers.

**IT IS THEREFORE ORDERED THAT:**

1. The transfer of authority from Adelphia Telecommunications, Inc. to Telecom Management, Inc. d/b/a Pioneer Telephone as discussed in the *Joint Application* and described herein is approved contingent on Federal Communications Commission approval of the transfer.

2. The customer notification letter is approved subject to a letter with the following modifications being mailed to customers no less than 30 days prior to the transfer:

a) Applicants should inform Adelphia Telecommunications, Inc. customers that Telecom Management, Inc. d/b/a Pioneer Telephone agrees to pay any fees charged to the customer associated with changing service to Telecom Management, Inc. d/b/a Pioneer Telephone; and

b) Prior to being mailed to the customers, the Applicants must file a revised customer notification letter with the Authority, and Authority Staff must find it consistent with TRA Rule 1220-4-2-.56(2)(d).

4. The Applicants shall file with the Authority any documentation from the Federal Communications Commission regarding subsequent action on the transfer.

5. The Applicants shall notify the Authority once the transfer has been consummated and upon receipt of such notification, Adelphia's Certificate of Public Convenience and Necessity shall be cancelled by the Authority pursuant to the request of the Applicants.

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Deborah Taylor Tate, Director<sup>1</sup>



Pat Miller, Director



Sara Kyle, Director

<sup>1</sup> Director Tate voted in agreement with the other directors but resigned her position as director before the issuance of this order.