

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

November 19, 2010

IN RE:

**JOINT APPLICATION OF HIGHLAND COMMUNICATIONS
CORPORATION AND HIGHLAND MEDIA CORPORATION
REGARDING INTERNAL CORPORATE RESTRUCTURING**

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**DOCKET NO.
10-00169**

ORDER APPROVING *JOINT APPLICATION*

This matter came before Chairman Mary W. Freeman, Director Eddie Roberson and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on September 27, 2010 for consideration of the *Expedited Joint Application for Approval of Internal Corporate Restructuring* (“*Joint Application*”) filed on August 20, 2010 by Highland Communications Corporation (“Highland Communications”) and Highland Media Corporation (“Highland Media”) (collectively, the “Applicants”). The Applicants seek approval of an internal corporate restructuring.

THE JOINT APPLICATION

Highland Communications is a Tennessee public utility corporation and a direct, wholly-owned subsidiary of Highland Cooperative that operates in Scott and Morgan Counties in Tennessee and McCreary County in Kentucky. Highland Communications currently provides long distance telephone service to approximately 16,500 customers, Internet services to approximately 10,890 customers, and Digital Subscriber Line services to approximately 7,000 customers in Tennessee and Kentucky. Highland Communications is authorized to provide operator services and/or resold telecommunications services pursuant to Authority Order in Docket No. 97-00230 issued on March 25, 1997.

Highland Media is a Tennessee public utility corporation and a direct, wholly-owned subsidiary of Highland Cooperative that operates in Scott and Morgan Counties in Tennessee. Highland Media provides its customers with a fiber network and customer service operations and was granted a state-issued Certificate of Franchise Authority by the TRA to provide cable or video services in Docket 09-00016 on February 23, 2009.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-113(a) (2004) requires a public utility to obtain TRA approval to transfer its authority to provide utility services and provides:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) (2004) provides the standards by which the TRA shall consider an application for transfer of authority, which in pertinent part, states as follows:

Upon application for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. The authority shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

Because the transaction involves a transfer of customers, TRA Rule 1220-4-2-.56(2)(d) additionally applies to the transaction. The rule provides:

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. 00257, 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 U.S. First Class Postage by the telecommunications service provider being acquired to its customers describing the customer transfer and explaining that the customers' local or long distance service will be transferred to the acquiring telecommunications service provider by a certain date unless the customer selects another telecommunications service provider. This customer

notification shall be mailed to the customers no less than thirty (30) days prior to the actual customer transfer. The notification letter required by the FCC may be used for the notification purposes of this part. The Authority may waive the thirty (30) day notice requirement of this part for good cause shown.

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.


Based on the filings, the panel found that this more efficient corporate structure will allow Highland Communications, Highland Media, and Highland Cooperative, through newly formed entities, the ability to devote additional resources to provide efficient, quality services to their customers. Thereafter, the panel voted unanimously to approve the internal corporate restructuring described in the *Joint Application* pursuant to Tennessee Code Annotated § 65-4-113. The panel noted that Tennessee Code Annotated § 65-4-113 does not apply to the transfer of the state-issued Certificate of Franchise Authority of Highland Media to Highland Media LLC because that transfer is governed by Tennessee Code Annotated § 7-59-304(a)(5)(A).


Also, based on the filings in this docket, the panel found that sufficient customer notification has been provided as required by TRA Rule 1220-4-2-.56(2)(d). Therefore, the panel voted unanimously to waive the pre-approval requirement for customer notification letters found in TRA Rule 1220-4-2-.56(2)(d)(2).

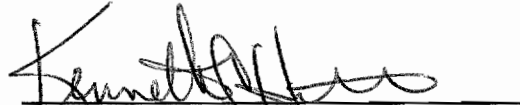
IT IS THEREFORE ORDERED THAT:

1. The *Expedited Joint Application for Approval of Internal Corporate Restructuring* filed by Highland Communications Corporation and Highland Media Corporation is approved.

2. The pre-approval requirement for customer notification letters found in TRA Rule 1220-4-2-.56(2)(d)(2) is hereby waived.


Mary W. Freeman, Chairman


Eddie Roberson, Director


Kenneth C. Hill, Director