

**BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION**

September 29, 1995

Docket No. 95-03385

In re: Joint Petition of Citizens Utilities Company, dba Citizens Telecommunications Company of Tennessee, and Citizens Telecommunications Company of the Volunteer State L.L.C. for Approval of Transfer of Certain Authority to Provide Utility Services and of Certain Plant and Facilities, from Citizens Utilities Company, dba Citizens Telecommunications Company of Tennessee, to Citizens Telecommunications Company of the Volunteer State L.L.C.

**FINAL ORDER**

The Joint Petition in this matter was filed pursuant to T.C.A. Section 65-4-104, seeking Commission approval of the transfer of certain authority to provide utility services and certain plant and facilities in Tennessee from Citizens Utilities Company, dba Citizens Telecommunications Company of Tennessee ("CUC-TN") to Citizens Telecommunications Company of the Volunteer State L.L.C. ("CTC-Volunteer State"). Proper notice of the filing of the Joint Petition was served, but no petitions for intervention were filed.

**Findings**

1. Citizens Utilities Company is a corporation organized and existing under the laws of Delaware, duly qualified to do business in Tennessee, with its principal offices at 3 High Ridge Park, Stamford, Connecticut 06905. Its Tennessee operating division, CUC-TN, is a local exchange telephone company in Tennessee. Its principal place of business in Tennessee is located at 250 South Franklin, Cookeville, Tennessee 38503.

2. CTC-Volunteer State is a limited liability company organized under the laws of Delaware. Its principal offices are located at 3 High Ridge Park, Stamford, Connecticut 06905. Citizens Utilities Company will own a 99% interest in CTC-Volunteer State; the remaining 1%

interest will be owned by Citizens Telecommunications Company, a wholly-owned subsidiary of Citizens Utilities Company. Citizens Telecommunications Company is a Delaware corporation having the same business address as Citizens Utilities Company.

3. CTC-Volunteer State was created by Citizens Utilities Company as the ultimate holder, upon Commission approval, of local exchange telephone authorizations, plant and other assets being acquired by Citizens Utilities Company from ALLTEL Tennessee, Inc. Acquisition of the ALLTEL Tennessee, Inc. properties, consisting of authorizations to provide telephone service as a local exchange carrier in the Claxton, Powell, Rutledge, Tate Springs, and Washburn exchange areas, as defined in tariffs and maps on file with the Commission, and plant and other assets used in that service, was approved by the Commission in Docket No. 95-0087. The ALLTEL Tennessee, Inc. acquisition is scheduled to close on September 30, 1995.

4. CTC-Volunteer State was created as a limited liability company ("LLC"), a relatively new form of business organization authorized in Delaware, Tennessee and most other jurisdictions. LLCs are unincorporated associations possessing attributes of both corporations and partnerships. The business form affords limited liability to member/owners, similar to that available in the corporate form, while also allowing the management flexibility and flow-through tax advantages of the partnership form. It also serves to avoid many of the organizational restrictions placed on corporations and limited partnerships.

5. The purpose of the proposed transfer is to allow the transfer of the former ALLTEL Tennessee, Inc. assets and operations to a legal entity that is organizationally separate from Citizens

Utilities Company's preexisting Tennessee operations.<sup>1/</sup> The need to request approval of the transfer is driven by the fact that the "old" Citizens' properties in Tennessee -- those acquired from GTE South, Inc. -- and the new properties being acquired from ALLTEL Tennessee, Inc. do not yet share compatible billing technologies. Until those billing technologies are made compatible, which is expected in the next six to twelve months, the properties must have separate Operating Company Numbers ("OCNs") administered by the National Exchange Carriers Association ("NECA") for the routing and processing of interexchange carrier traffic. NECA regulations dictate that the old and new Citizens Utilities Company properties in Tennessee must be separate legal entities in order to each have discrete OCNs. Accordingly, Citizens Utilities Company must be able to move the former ALLTEL Tennessee, Inc. operations into a new entity immediately after closing of the acquisition transaction.

From all of which it appears to the Commission and the Commission finds and concludes that:

1. Administrative notice should be taken of all matters of fact and conclusions of law reached in Docket No. Docket No. 95-0087, as well as the records of CUC-TN on file with the Commission;
2. The proposed transaction is pro forma in nature in that only the form, not the substance of control over the subject properties is being changed: Citizens Utilities Company will become the parent of the public utility succeeding ALLTEL Tennessee, Inc., rather than the public utility itself;

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<sup>1/</sup> In a recently filed application, Citizens Utilities Company, dba Citizens Telecommunications Company of Tennessee, is seeking Commission approval to transfer its authorities and assets, other than the former ALLTEL Tennessee, Inc. authorities and assets, to another Citizens Utilities Company-controlled LLC -- Citizens Telecommunications Company of Tennessee L.L.C.

3. CTC-Volunteer State has the suitability, the financial responsibility, and capability to perform efficiently the utility services to be transferred to it, and the public will benefit from the transfer;

3. On consideration of the entire record and the factors set forth in the statutes, the Commission finds that the proposed transfer furthers the public interest;

4. The Joint Petition should be granted, the transfer should be approved, and Certificates of Convenience and Necessity should be issued to Citizens Telecommunications Company of the Volunteer State L.L.C. to provide local exchange telecommunication services and services incidental thereto at the exchanges and in the territories formerly served by ALLTEL Tennessee, Inc., as more particularly described in Docket No. 95-0087, evidencing the transfer of the authority from CUC-TN to CTC-Volunteer State and granting full authority to provide the transferred services to CTC-Volunteer State; and

5. This Order should be effective upon its entry. Upon consummation, CUC-TN shall be relieved of its obligations to provide service under the Certificates of Convenience and Necessity issued to it by this Commission pursuant to Docket No. 95-0087, and CTC-Volunteer State shall become responsible for providing such service.

It is, therefore, ORDERED that:

1. The Joint Petition is hereby granted; and the transfer of the authority formerly held by ALLTEL Tennessee, Inc. to provide utility services in Tennessee as evidenced by the prior orders of this Commission, is approved, along with the transfer of all plant and facilities acquired by CUC-TN from ALLTEL Tennessee, Inc..

2. Certificates of Convenience and Necessity are hereby issued to Citizens

Telecommunications Company of Tennessee L.L.C. to provide local exchange telecommunication services and services incidental thereto at the exchanges and in the territories formerly served by ALLTEL Tennessee, Inc., as more particularly described in Docket No. 95-0087; and this Order shall evidence the granting of such certificates.

3. This Order is final and effective upon its entry. Upon consummation, CUC-TN is relieved of its obligations to provide service under the Certificates of Convenience and Necessity issued to it by this Commission, and CTC-Volunteer State shall then become responsible for furnishing such service.


4. Citizens Telecommunications Company of Tennessee L.L.C. shall promptly notify the Commission Staff of the consummation of the transfer approved hereby.

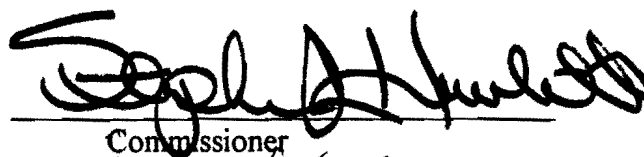
5. The rates and tariffs of ALLTEL Tennessee, Inc. in effect as of the consummation of the transfer approved hereby, or which have been filed prior to the date of consummation to become effective after that date, shall be the rates and tariffs of Citizens Telecommunications Company of Tennessee L.L.C., until such time as they may be changed in accordance with applicable law and the rules of this Commission.

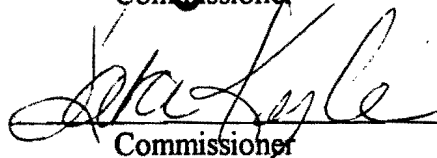
6. Any party aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within ten days from and after the date of this Order.

7. Any party aggrieved by the Commission's decision in this matter has a right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order, pursuant to Rule 12 of the Tennessee Rules of

Appellate Procedure and to T.C.A. Section 4-5-322.

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:  
  
Executive Director