STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-308

September 10, 1998

CHINA, STANDISH, MAINE, NORTHLAND & SIDNEY TELEPHONE COMPANIES
Joint Petition for Approval of Reorganization

ORDER APPROVING STIPULATION

WELCH, Chairman; NUGENT, Commissioner

On April 15, 1998, China Telephone Company, Standish Telephone Company and Maine Telephone Company ("the UI Telephone Companies") and Northland Telephone Company of Maine, Inc. and Sidney Telephone Company ("the MJD Telephone Companies"), collectively referred to as the Petitioners, filed a Joint Petition seeking Commission approval of a proposed reorganizations pursuant to 35-A M.R.S.A. § 708. We approve the proposed reorganizations subject to the provisions of the Stipulation signed by all parties in this matter.

The UI Telephone Companies are all telephone utilities subject to the jurisdiction of this Commission, and each is a wholly-owned subsidiary of Utilities, Inc. (UI). The MJD Telephone Companies are all telephone utilities subject to the jurisdiction of this Commission and are wholly-owned subsidiaries of MJD Communications, Inc., via intervening subsidiaries. Northland Telephone Company is wholly owned by ST Enterprises, Ltd. and Sidney Telephone Company is wholly owned by MJD Ventures, Inc. ST Enterprises, Ltd. and MJD Ventures, Inc. are both wholly owned by MJD Communications, Inc.

Under the proposed reorganization, MJD Ventures would acquire UI and the UI Telephone Companies through a merger of UI and a subsidiary of MJD Ventures, Inc. After the reorganization, UI will become a wholly-owned subsidiary of MJD Ventures, Inc. In addition, under the terms of the merger agreement as amended, the outstanding shares of Telephone Service Company, an unregulated affiliate of the UI Telephone Company, will be transferred to MJD Ventures, Inc.[1]

On May 19, 1998, a Notice of Proceeding was issued which provided interested persons with an opportunity to intervene in this

---

[1]Other wholly-owned subsidiaries of UI include: Seacoast Cellular, Inc. and Western Maine Cellular, Inc. UI filed a request for PUC approval of the sale of all of the outstanding shares of Western Maine Cellular, Inc. to MRCC, Inc., a Maine corporation and a wholly-owned subsidiary of Rural Cellular Corporation. That sale was approved by the Commission on June 4, 1998, under Docket No. 98-206. Also, by Order dated August 5, 1998, in Docket No. 98-509, the Commission approved a reorganization involving the transfer of UI's interest in Seacoast Cellular to UI's shareholders.

matter. In addition, notice of this matter was published in newspapers of general circulation in the UI Telephone Companies' service territories. Petitions to intervene were filed by the Office of Public Advocate (OPA), Neal Allen, a customer of Standish Telephone Company,[2] and David Rathbone, a customer of the Maine Telephone Company. All petitions to intervene were granted at the case conference of June 8, 1998. Technical conferences on this matter were held on June 24, 1998 and July 8, 1998. Petitioners submitted written responses to data requests on July 2, 1998 and July 15, 1998.

Based on the information presented during the course of the case, our Advisory Staff identified the following three major areas of concern:

1) the possible ratemaking impact of the difference between the purchase price paid by MJD and the net book value of the UI Telephone Companies;

2) the degree to which the transactions are debt financed, and the ratemaking impact of the resulting capital structure for the UI Telephone Companies after the reorganization; and

3) the identification and treatment of costs associated with transactions between the petitioning companies and any of their affiliates.

On August 25, 1998, we received a Stipulation signed by all parties to this matter which recommends approval of the reorganizations proposed in this docket with certain terms and conditions of approval. We have reviewed the Stipulation and believe that it adequately addresses the concerns noted above and provides a reasonable basis for resolving this matter. Specifically, under the terms of the Stipulation the Petitioners agree not to include in rate base the difference between the purchase price and net book value of the UI Telephone Companies, and also to not include for ratemaking purposes any payments made by the purchasers under the non-competition provisions of the sale agreement. In addition, under the terms of the Stipulation, each of the UI Telephone Companies is to keep detailed records of its transactions with its affiliates and provide in its annual PUC report by general account category the amount of charges for services received by each of the petitioning telephone companies from any affiliate. The Stipulation also reserves for future ratemaking consideration the issue of affiliate transaction costs[3]

---

[2]Mr. Allen subsequently withdrew as a party to the case.

[3]Section 3(C)(a) of the Stipulation states:

If a Petitioner receives services, on a

and the capital structure and costs of capital that will be used in setting rates for the UI Telephone Companies.

We thus find that the proposed reorganization, subject to the terms and conditions set forth in the Stipulation submitted on August 25, 1998, is consistent with the interests of Petitioners' ratepayers and shareholders, and otherwise satisfies the requirements of 35-A M.R.S.A § 708.

Accordingly, we

O R D E R

1. That the Stipulation submitted by the parties on August 25, 1998, a copy of which is attached hereto and incorporated by reference, is approved.

2. That the reorganizations which take place through the proposed merger of UI and a subsidiary of MJD Ventures, pursuant to the Agreement and Plan of Merger, dated March 27, 1998, and related documents are approved under 35-A M.R.S.A. § 708.

3. That the reorganizations which take place upon the acquisition of the stock of Telephone Service Company by MJD Ventures pursuant to the Stock Purchase Agreement, dated March 27, 1998, as amended, and related documents are approved under 35-A M.R.S.A. § 708.

Dated at Augusta, Maine this 10th day of September, 1998.

BY ORDER OF THE COMMISSION

_____

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent

---

cost-plus basis from an Affiliate which has been provided such services by another Affiliate (or affiliates), in no event shall the Petitioner pay a total of more than the cost of the affiliate which originally provided the services, plus 12%.

Our approval of the Stipulation should in no way be deemed an approval of affiliate transactions on a "cost plus" basis for regulated utility ratemaking.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320 (1)-(4) and the Maine Rules of Civil Procedure, Rule 73 et seq.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320 (5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.