





A-311095

COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265  
JUNE 22, 2001

IN REPLY PLEASE  
REFER TO OUR FILE

A-310800F0007; A-310510F2000; A-311095  
A-311095F0002; A-311095F0003

DAVID P ZAMBITO  
MALATESTA HAWKE & MCKEON  
PO BOX 1778  
HARRISBURG PA 17108-1166

Joint Application of Commonwealth Telephone Enterprises, Inc., Commonwealth Telephone Company, CTSI, Inc., and CTSI, LLC for approval of the transactions related to the restructuring of CTSI, Inc., including: the acquisition by Commonwealth Telephone Company of CTSI, LLC; the merger of CTSI Inc., into CTSI, LLC; the provision of service by CTSI, LLC; and, the abandonment of service by CTSI, Inc.

To Whom It May Concern:

This is to advise you that the Commission in **Public Meeting on June 21, 2001** has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

**Public Meeting on June 21, 2001**

JUL 05 2001

Very truly yours,

**DOCUMENT  
FOLDER**

James J. McNulty  
Secretary

fg  
encls  
cert. mail

THE DEPARTMENT OF REVENUE  
BUREAU OF AUDIT PROGRAMS  
SALES AND USE TAXES  
STRAWBERRY SQUARE 10TH FLOOR  
HARRISBURG PA 17128-1061

THOMAS ROMINIECKI DIRECTOR  
BUREAU OF CORPORATION TAXES  
STRAWBERRY SQUARE 6<sup>TH</sup> FLOOR  
HARRISBURG PA 17128

PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA. 17105-3265

Public Meeting held June 21, 2001

Commissioners Present:

John M. Quain, Chairman  
Robert K. Bloom, Vice Chairman  
Aaron Wilson, Jr.  
Terrance J. Fitzpatrick

Joint Application of Commonwealth Telephone Enterprises, Inc., Commonwealth Telephone Company, CTSI, Inc., and CTSI, LLC for approval of the transactions related to the restructuring of CTSI, Inc., including: (a) the acquisition by Commonwealth Telephone Company of CTSI, LLC; (b) merger of CTSI, Inc., into CTSI, LLC; (c) the provision of service by CTSI, LLC and (d) the abandonment of service by CTSI, Inc.

Docket Numbers:  
A-310800F0007  
A-310510F2000  
A-311095  
A-311095F0002  
A-311095F0003

ORDER

DOCKETED

JUL 05 2001

DOCUMENT  
BY THE COMMISSION:  
FOLDER

On May 11, 2001, Commonwealth Telephone Enterprises, Inc. (CTE), Commonwealth Telephone Company (CTCo), CTSI, Inc., and CTSI, LLC filed the above-docketed joint application pursuant to Chapter 11 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 1101-1103, for approval of approval of the transactions related to the restructuring of CTSI, Inc., including: (a) the acquisition by CTCo of CTSI, LLC; (b) merger of CTSI, Inc. into CTSI, LLC; (c) the provision of service by CTSI, LLC; and (d) the abandonment of service by CTSI, Inc. The applicants provided proof of compliance with our regulations at 52 Pa. Code § 1.54 relating to applications requiring notice. The protest period ended June 11, 2001, with no protests having been received.

CTE, a publicly traded corporation, wholly owns CTCo and CTSI, Inc. CTE also owns Commonwealth Communications, a provider of telecommunications equipment and facilities management services; epix Internet Services, an Internet service provider; Jack Flash, a digital subscriber line service; and Commonwealth Long Distance Company, a reseller of long-distance services.

CTCo is an ILEC which provides telephone and related services over a network in a 20-county, approximately 5,000 square-mile service territory in Pennsylvania. CTSI, Inc., certificated at A-310397 and A-310510 as a full-service, facilities-based CLEC, offers bundled local, all-distance telephone, vertical, DSL and Internet access services. CTSI, LLC will be created as a wholly-owned subsidiary of CTCo, and after the merger proposes to offer the same CLEC services currently provided by CTSI, Inc.

Through a corporate reorganization, CTCo proposes to create as a wholly-owned subsidiary, a limited liability company, CTSI, LLC. CTE intends to transfer to CTSI, LLC, by merger, all of the common stock of CTSI, Inc. As a result, CTSI, LLC will become a directly and wholly-owned subsidiary of CTCo, and CTSI, Inc. will cease to exist. The proposed transactions represent a change in direct ownership only; ultimate ownership of both CTCo and CTSI, LLC will reside in CTE. The initial officers of CTSI, LLC will be the same as the current officers of CTSI, Inc.

Through the instant application, CTSI, LLC is requesting authority to start providing services identical to those currently provided by CTSI, Inc. and CTSI, Inc. is requesting authority to abandon providing such services. CTSI, LLC will adopt the current tariff of CTSI, Inc. on file with this Commission; thus, the proposed transactions will have no effect upon the rates and services currently provided by CTSI, Inc. or CTCo. Current customers of CTSI, Inc. will continue to receive the

same level of services at the same rates. CTSI, LLC also proposes to adopt all currently effective affiliated interest agreements and other regulatory documents that affect CTSI, Inc.

According to the applicants, the proposed restructuring will result in more efficient operations and management of both companies. The applicants further state that the internal reorganization will better position the telecommunications operations of the CLEC, CTSI, LLC, in a competitive marketplace. These advantages ensure that the proposed transfer of control provides an affirmative public benefit and satisfies the standard set by City of York v. Pa. P.U.C., 449 Pa. 136, 295 A.2d 825 (1972).

Our review of the subject joint application leads us to conclude that the proposed internal reorganization is necessary or proper for the service, accommodation, convenience, or safety of the public, and that the application should be approved; **THEREFORE,**

**IT IS ORDERED:**

1. That the Joint Application of Commonwealth Telephone Enterprises, Inc., Commonwealth Telephone Company, CTSI, Inc., and CTSI, LLC for approval of the transactions related to the restructuring of CTSI, Inc., including: (a) the acquisition by Commonwealth Telephone Company of CTSI, LLC; (b) merger of CTSI, Inc. into CTSI, LLC; (c) the provision of service by CTSI, LLC; and (d) the abandonment of service by CTSI, Inc., is hereby approved.

2. That within 30 days following consummation of the transactions as described in Ordering Paragraph No. 1, above, CTSI, LLC shall notify this

Commission of the effective date of the internal reorganization and shall file a tariff adoption supplement effective on one day's notice adopting the tariff of CTSI, Inc.

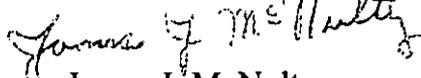
3. That upon receipt of the tariff adoption supplement as required under Ordering Paragraph No. 2, above, certificates of public convenience be issued evidencing the approvals granted in Ordering Paragraph No. 1, above.

4. That upon receipt of the tariff supplement as required under Ordering Paragraph No. 2, above, the Bureau of Fixed Utility Services shall remove the tariffs CTSI, Inc. from the active utility list; the Commission's Secretary's Office shall mark closed all records with respect to CTSI, Inc.; and the Assessment Section of the Bureau of Administrative Services shall delete CTSI, Inc. from the active utility list.

5. That if the applicants come to determine that the instant transaction will not occur, CTSI, Inc. shall promptly file with this Commission notice of such determination.

6. That a copy of this Order be served on the Department of Revenue, Bureau of Corporation Taxes.

**BY THE COMMISSION,**

  
James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: June 21, 2001

ORDER ENTERED: JUN 22 2001