

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

1. REPORT DATE: June 29, 1994	2. BUREAU AGENDA NO.: JUL-94-OSA-1294*
3. BUREAU: Office of Special Assistants	
4. SECTION(S): Securities	5. PUBLIC MEETING DATE: July 7, 1994
6. APPROVED BY: Director: C.W. Davis 7-1827 Supervisor: R.W. Wilson 3-6162 <i>BW</i>	DOCKETED JUL 20 1994
7. PERSONS IN CHARGE: D.T. Beebe 7-7237 <i>DTB</i>	
8. DOCKET NO.: A-310800 F.5000	

9. (a) CAPTION (abbreviate if more than 4 lines)
(b) Short summary of history & facts, documents & briefs
(c) Recommendation

(a) Application of Commonwealth Telephone Company for approval of the transfer of 100% of its common stock from the utility's parent, C-TEC Corp., to an affiliated interest, C-TEC Telephone Properties, Inc.

(b) The instant Application was filed May 5, 1992. Staff review of the filing was suspended pending the outcome of the investigation of Commonwealth's earnings and affiliated interest accounting docketed at I-920020. That investigation has been completed (Order entered February 23, 1994), but the passage of time and a change in control of C-TEC lead staff to conclude that Commonwealth should consider anew whether the insertion of a new corporate entity between the utility and C-TEC is still appropriate. If so, an updated application may be filed.

(c) The Office of Special Assistants recommends that the Application be dismissed without prejudice.

**DOCUMENT
FOLDER**

10. MOTION BY: Commissioner Chm. Rolka Commissioner Quain - Recusing
Commissioner Crutchfield - Yes
SECONDED: Commissioner Rhodes Commissioner Hanger - Yes

CONTENT OF MOTION: Staff recommendation adopted.

LDA



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

RECEIVED

IN REPLY PLEASE
REFER TO OUR FILE

July 8, 1994

A-310800, F.5000

■
NORMAN J KENNARD ESQUIRE
TUCKER ARENSBERG PC
116 PINE STREET
HARRISBURG PA 17101
■

Application of Commonwealth Telephone Company for approval of the transfer of 100 percent of its outstanding common stock from the utility's parent, C-TEC Corporation, to an affiliated interest, C-TEC Telephone Properties, Inc.

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on July 7, 1994 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

John G. Alford, Secretary

MOCKETED

JUL 25 1994

smk
Encl.
Cert.Mail
RAYMOND B OSTROSKI ESQUIRE
COMMONWEALTH TELEPHONE CO
100 LAKE STREET
DALLAS PA 18612

DOCUMENT
FOLDER

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held July 7, 1994

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr. Vice-Chairman
John M. Quain, Recusing
Lisa Crutchfield
John Hanger

DOCUMENT
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Application of Commonwealth Telephone Company for approval of the transfer of 100 percent of its outstanding common stock from the utility's parent, C-TEC Corporation, to an affiliated interest, C-TEC Telephone Properties, Inc.

A-310800 F.5000

OPINION AND ORDER

JUL 25 1994

BY THE COMMISSION:

On May 1, 1992, Commonwealth Telephone Company ("CTC") filed the above-captioned application pursuant to Chapter 11 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§1101, et seq. Notice was published as required and the protest period ended June 22, 1992, with no protests having been received.

The transaction for which our approval is hereby sought would effect the transfer of control of CTC from publicly-held C-TEC Corporation ("C-TEC") to a new wholly-owned subsidiary of C-TEC, C-TEC Telephone Properties, Inc. CTC would thus become a second-tier subsidiary of the publicly-held corporation. In its application, CTC offered few specific benefits of such a reorganization, citing instead the purpose of "increasing operating efficiencies."

After its initial review of the instant application, Commission staff learned in early July, 1992, that the Investigation of CTC's earnings, docketed at I-00920020, had been

broadened to include consideration of possibly inappropriate allocations of expenses among various affiliates of the utility. Since the reorganization envisioned in its application would be likely to lead to changes in the utility's relationships with one or more of its affiliates, new or revised affiliated interest agreements would need to be filed for Commission approval pursuant to Chapter 21 of the Public Utility Code. Staff concluded that in the face of the then-existing questions about affiliated-interest accounting, it would be inappropriate to make any recommendation concerning a transaction that appeared to lead to a new set of affiliated-interest relationships until such questions had been resolved. Consequently, staff suspended its review of the application.

In the more than two years since the filing of the instant application, there have occurred two developments which may have a bearing on the transfer proposed in the application. The first was a transfer of control of CTC's parent, C-TEC, by the transfer of a majority interest in the common stock of C-TEC, a transfer which we approved at A-310800 F.0006 by Order entered October 22, 1993. Following the transfer of control of C-TEC, there have been several changes in the personnel constituting senior management at both the utility and its parent. The second development is the conclusion of our Investigation docketed at I-00920020, effected by our final Order entered February 24, 1994. The closing of the Investigation removes the open questions surrounding affiliated-interest accounting, but the settlement approved by our final Order also provided for the filing of clarifying affiliated interest agreements between CTC and certain of its affiliates within three months of the conclusion of the Investigation.

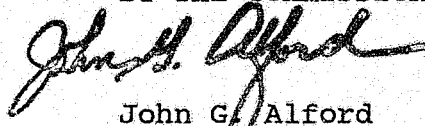
In retrospect, staff's suspension of its review seems to have been appropriate. Now, however, considering the passage of time, the management changes referred to above, and the need to

file clarifying affiliated interest agreements, CTC's application may no longer be consistent with the utility's current strategy. For these reasons, we believe it appropriate to dismiss the instant application. Such dismissal will not prejudice the utility's privilege to review its plans and to file a similar application if it should find anew that the insertion of another corporate entity between C-TEC and CTC will be necessary or proper; **THEREFORE,**

IT IS ORDERED:

That the application of Commonwealth Telephone Company concerning the transfer of all the utility's stock to an affiliate is hereby dismissed without prejudice.

BY THE COMMISSION


John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: July 7, 1994

ORDER ENTERED: JUL 8 - 1994