

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6203

Joint Petition of CTC Communications Corp.)
and CTC Communications Group, Inc.)
for Approval of a Transfer of Control)

Order entered: 4/5/99

I. INTRODUCTION

This case involves a petition filed on January 28, 1999, by CTC Communications Corp. ("CTC"), and CTC Communications Group, Inc. ("CTCG") (collectively the "Petitioners"), seeking Vermont Public Service Board ("Board") approval, under 30 V.S.A. § 107, of a proposed *pro forma* internal corporate reorganization and transfer of control. CTC is a nondominant telecommunications provider authorized to provide both interexchange and local exchange telecommunications services in the State of Vermont. Under the reorganization, CTC will become a wholly-owned subsidiary of a newly-created Delaware holding company, CTCG. The shareholders of CTC will exchange their shares on a share for share basis, for shares of CTCG. Following the reorganization, CTCG will own 100% of the stock of CTC (and the ultimate ownership or control of CTC will remain the same as prior to the transfer of control).

On March 19, 1999, the Petitioners and the Vermont Department of Public Service ("Department") submitted a Joint Stipulation and Proposal for Decision recommending that this matter be approved without a hearing.

II. FINDINGS OF FACT

Based upon the petition and accompanying documents, the Board makes the following findings of fact.

1. CTC is a publicly-held Massachusetts corporation, with principal offices in Waltham, Massachusetts. CTC is a nondominant provider of telecommunications services to small and medium sized businesses. CTC was issued a Certificate of Public Good to provide telecommunications services in Vermont on January 6, 1998, which CPG was amended by the Board on April 2, 1998, in Docket No. 6023, to authorize the provision of local exchange service. Petition at 2.

2. CTCG is a newly-created holding company incorporated in Delaware on October 21, 1998. Pursuant to the terms of an Agreement and Plan of Reorganization

November 16, 1998, CTC will become a wholly-owned subsidiary of CTCG. Following the Reorganization, CTC will be 100% owned by its corporate parent, CTCG, the shares of which will be owned in identical proportions by the present owners of CTC. Petition at 4.

3. For internal corporate reasons, CTC has determined that the operational efficiency of the company will be improved by the reorganization. The reorganization and transfer of control will enable the company to attract additional financing, reduce its operating expenses and realize operational and management efficiencies and other corporate benefits that ultimately will enure to the benefit of CTC's customers. Petition at 3.

4. Following the reorganization and transfer of control, the board of directors and executive officers of CTC will also serve as the board of directors and executive officers of CTCG. The corporate reorganization will not result in a change to management, operations or services provided to Vermont customers of CTC. CTC will maintain its office in Colchester, Vermont. The ultimate ownership and control of CTC will remain the same following the transfer of control and the *pro forma* corporate reorganization will not adversely affect the manner in which CTC provides service to the public in Vermont. Petition at 1 and 4.

5. CTCG and CTC requested approval in order to complete the reorganization on or about March 31, 1999. Petition at 6.

6. The Department, CTC and CTCG have submitted a Stipulation which, in summary, states that they agree that the reorganization will promote the public good and the Board should issue findings and an order to that effect. Joint Proposal for Decision at 3.

III. CONCLUSIONS OF LAW AND DISCUSSION

The proposed transaction requires Board approval under 30 V.S.A. § 107, which applies to a direct or indirect acquisition of a controlling interest in a Vermont utility.¹ Section 107 requires a finding that the transfer of control will promote the public good. This standard is met in this case. The proposed transaction will promote the public good, because CTC's resources will be more efficiently utilized with this change in operating structure. In the competitive arena of telecommunications, the overall effect of this merger may promote more customer choice in terms of services, with stronger competitors in the Vermont telecommunications market. It should also be noted that the transfer of control will not result in any rate increase to existing customers of CTC.

1. Approval under 30 V.S.A. §§ 231 and 311 is not required because the current holder of the Certificate of Public Good, CTC, will continue to be the entity providing telecommunications service in Vermont.

For all of the above reasons, the proposed transfer of control of CTC to CTCG, through their internal corporate reorganization, should be approved.

ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The acquisition of control of CTC Communications Corp. by CTC Communications Group, Inc., is approved.

DATED at Montpelier, Vermont, this 5th day of April, 1999.

s/ Michael H. Dworkin)
) PUBLIC SERVICE
))
s/ Suzanne D. Rude) BOARD
))
) OF VERMONT
s/ David C. Coen)

OFFICE OF THE CLERK

Filed: April 5, 1999

Attest: s/ Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board of any technical errors, in order that any necessary corrections may be made.

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.