

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
October 30, 2001**

CASE NO: TM-2001-628

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Sharis Pozen
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Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 30th day
of October, 2001.

In the Matter of the Application of Qwest Communications)
Corporation and Certain of Its Affiliates for Approval of) **Case No. TM-2001-628**
Internal Corporate Restructuring.)

ORDER APPROVING MERGERS

This order grants authority to Qwest Communications Corporation (QCC) and its affiliates, LCI International Telecom Corp., Phoenix Network, Inc., and USLD Communications, Inc., to complete a series of merger transactions in order to effectuate a corporate restructuring.

On May 15, 2001, QCC, and its affiliates, LCI International Telecom Corp., Phoenix Network, Inc., and USLD Communications, Inc., filed a joint application for approval of a series of merger transactions in order to effectuate an internal corporate restructuring. The applicants state that the restructuring will consolidate several certificated telecommunications companies into one company subject to Commission oversight.

QCC is a direct, wholly owned subsidiary of Qwest Services Corporation. Qwest Services Corporation is a direct, wholly owned subsidiary of Qwest Communications International, Inc., the stock of which is publicly traded on the New York Stock Exchange. Qwest Communications International, Inc., through its subsidiaries and affiliates provides facilities-based multimedia services including local exchange and interexchange telephone service.

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All of the applicants are Delaware corporations except USLD Communications, Inc., which is a Texas corporation. Each applicant's principal place of business is 1801 California Street, Denver, Colorado 80202. Exhibit A-1 to the application sets out the certificates of authority for the state of Missouri of each telecommunications company and is attached to this order.

The Commission has authority over QCC, and its affiliates, LCI International Telecom Corp., Phoenix Network, Inc., and USLD Communications, Inc., pursuant to Section 392.300, RSMo 2000,¹ which provides that:

[n]o telecommunications company shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, facilities or system, necessary or useful in the performance of its duties to the public nor by any means, direct or indirect, merge or consolidate such line or system, or franchises, or any part thereof, with any other corporation, person or public utility, without having first secured from the commission an order authorizing it so to do.

The applicants stated that the purposes of the mergers are to consolidate existing QCC subsidiaries and to transfer control of the existing QCC subsidiaries from one intermediate corporate parent to another. The applicants state that ownership and control of QCC and its subsidiaries will be unchanged as a result of these restructuring steps. The applicants provide the attached Exhibits B-1 and B-2 showing the current corporate organization and the proposed organization.

The applicants stated that the merger will have no tax impact on any political subdivision in Missouri. The applicants report that they have some customer service or rate actions presently pending in other states but that there are no final judgments entered

¹All statutory references herein are to the Revised Statutes of Missouri (RSMo), revision of 2000, unless otherwise specified.

within the last three years that remain unsatisfied. The applicants state that LCI International Telecom Corp., has two pending appeals of Michigan Public Service Commission decisions and that it has entered into a consent judgment with the state of Missouri whereby it paid the sum of \$10,000. The applicants stated that they were current on Missouri assessments and fees and in filing annual reports.

On August 8, 2001, the applicants filed a supplement to their application. In their supplement, the applicants request that the Commission grant each company a waiver of the anti-slamming rule 4 CSR 240-33.150, so that individual customer authorization does not have to be obtained and individual customer notification does not have to be sent with regard to these transactions. The applicants explain that the surviving company will operate under the "Qwest" brand and that both LCI International Telecom Corp., and Phoenix Network, Inc., already issue bills to their customers using the "Qwest" brand. The surviving company will also continue to operate under identical rates and terms of service. Therefore, the applicants argue that the merger will be entirely transparent to each of those companies' customers and that a notice stating that the customers' telecommunications provider has changed would lead to customer confusion.

The Commission's Staff filed its original recommendation regarding the merger on August 23, 2001. Staff recommended that the Commission approve the mergers and direct the companies to amend their tariffs before the consummation of the merger to provide for the appropriate change in customers served. Staff also recommended that the Commission direct QCC to file notice of the completed transactions and that the Commission cancel the tariffs of LCI International Telecom Corp., and Phoenix Networks, Inc., after the transactions were completed. Staff stated that the proposed merger of USLD

Communications Corp. into USLD Communications, Inc. will have no effect on the certificates or tariff of USLD Communications, Inc.

The standard for approval of a merger is that the merger will not be detrimental to the public interest. See *In the Matter of the Application of WorldCom, Inc., and MFS Communications Company, Inc., for Approval and Plan of Merger and Related Transactions*, 5 Mo.P.S.C.3d 312, 315 (1996). The Staff stated that it has reviewed the application and recommends that the Commission find that the mergers are not detrimental to the public interest. Staff also recommends that the Commission grant a waiver of its rule 4 CSR 240-33.150 regarding customer notice.

On October 23, 2001, Staff filed an amendment to its recommendation. Staff stated that after conversations with the applicants' attorney, it now recommends that the Commission direct QCC to amend its tariffs within 30 days of the consummation of the mergers, rather than amending the tariffs prior to the mergers. Staff also states that the tariffs should have a 30-day effective date. The amended recommendation was also signed and agreed to by counsel for the Office of the Public Counsel and counsel for the applicants.

The Commission has reviewed the application and Staff's recommendations and finds that the proposed mergers will have no adverse impact on the Missouri customers of the companies involved. The customers will continue to receive service under the same rates and terms. The Commission finds that the merger transactions are not detrimental to the public interest and should be approved. The Commission also finds that the conditions for notice of completion of the transaction, revision of tariffs, and cancellation of certificates and tariffs as recommended by Staff are appropriate.

The Commission further finds that because LCI International Telecom Corp., and Phoenix Network, Inc.'s customers have already been receiving bills under the "Qwest" brand, they have been given notice of an intercompany change. Furthermore, because the surviving company is currently the parent company of the two merging entities, and the surviving company will continue to offer service under the same rates and terms, no additional customer notice or authorization is necessary. The Commission finds there is good cause to grant QCC a waiver of its rule 4 CSR 240-33.150.

IT IS THEREFORE ORDERED:

1. That the joint application of Qwest Communications Corporation, LCI International Telecom Corp., Phoenix Network, Inc., and USLD Communications, Inc., for approval of certain merger transactions is granted.
2. That Qwest Communications Corporation and LCI International Telecom Corp., are authorized to take any and all lawful actions necessary to carry out the plan of merger presented to the Commission.
3. That Qwest Communications Corporation shall file a notice in this case within ten days of the consummation of the merger transaction with LCI International Telecom Corp.
4. That Qwest Communications Corporation shall file amendments to its tariffs to include the customers of LCI International Telecom Corp. Those amendments shall be filed in this case no later than 30 days from the date of the consummation of the merger and shall have a proposed 30-day effective date.

5. That Qwest Communications Corporation and Phoenix Network, Inc., are authorized to take any and all lawful actions necessary to carry out the plan of merger presented to the Commission.

6. That Qwest Communications Corporation shall file a notice in this case within ten days of the consummation of the merger transaction with Phoenix Network, Inc.

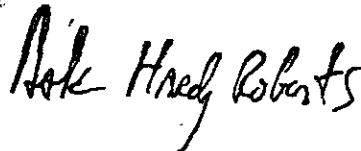
7. That Qwest Communications Corporation shall file amendments to its tariffs to include the customers of Phoenix Network, Inc. Those amendments shall be filed in this case no later than 30 days from the date of the consummation of the merger and shall have a proposed 30-day effective date.

8. That USLD Communications Corporation and USLD Communications, Inc., are authorized to take any and all lawful actions necessary to carry out the plan of merger presented to the Commission.

9. That USLD Communications, Inc., shall file a notice in this case within ten days of the consummation of the merger transaction.

10. That this order shall become effective on November 9, 2001.

BY THE COMMISSION



**Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge**

(S E A L)

Simmons, Ch., Murray, Lumpe, and
Gaw, CC., concur.

Dippell, Senior Regulatory Law Judge

**SCHEDULE OF EXISTING OPERATING AUTHORITY
IN MISSOURI**

A. Qwest Communications Corporation

- Authorization to provide basic local telecommunications service as a competitive telecommunications company; Case No. TA-2000-309 (granted June 1, 2000)
- Authorization to provide resold and facilities-based intrastate interexchange telecommunications services; Case No. TA-94-155 (February 18, 1994)
- Authorization to provide intrastate interexchange and dedicated, non-switched local exchange private line telecommunications services; Case No. TA-95-196 (May 22, 1995)

B. LCI International Telecom Corp. d/b/a Qwest Communications Services

- Authorization to provide basic local telecommunications service as a competitive telecommunications company; Case No. TA-98-8 (October 15, 1997)
- Authorization to provide resold interexchange telecommunications services; Case No. TA-89-204 (August 18, 1989)
- Authorization to provide operator telecommunications services; 9400038 (August 18, 1993)

C. Phoenix Network, Inc.

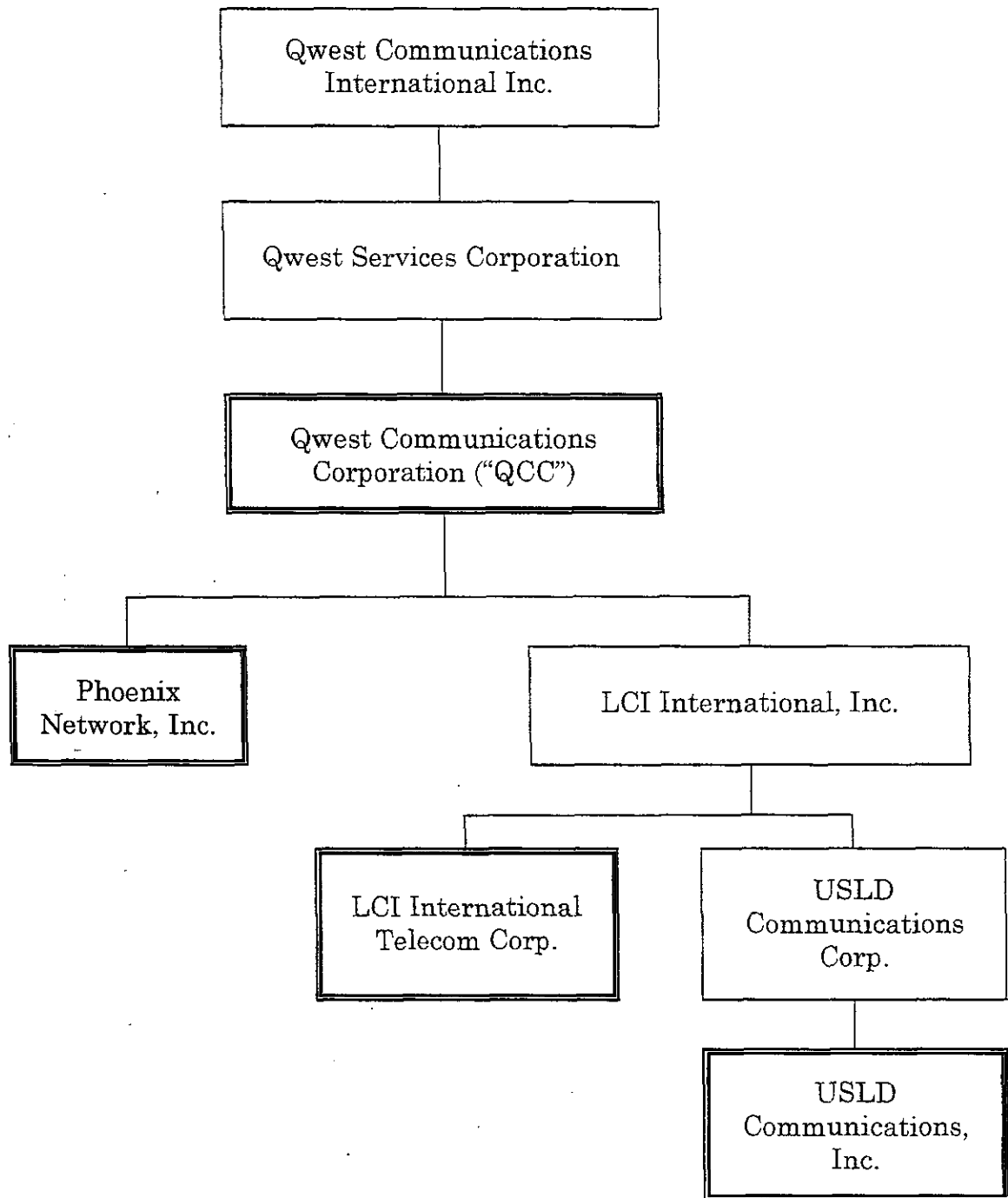
- Authorization to provide resold intrastate interexchange telecommunications services; Case No. TA-92-217 (July 15, 1992); Case No. TA-92-201 (January 5, 1993)

SCHEDULE OF EXISTING OPERATING AUTHORITY IN MISSOURI
(CONTINUED)

D. USLD Communications, Inc.

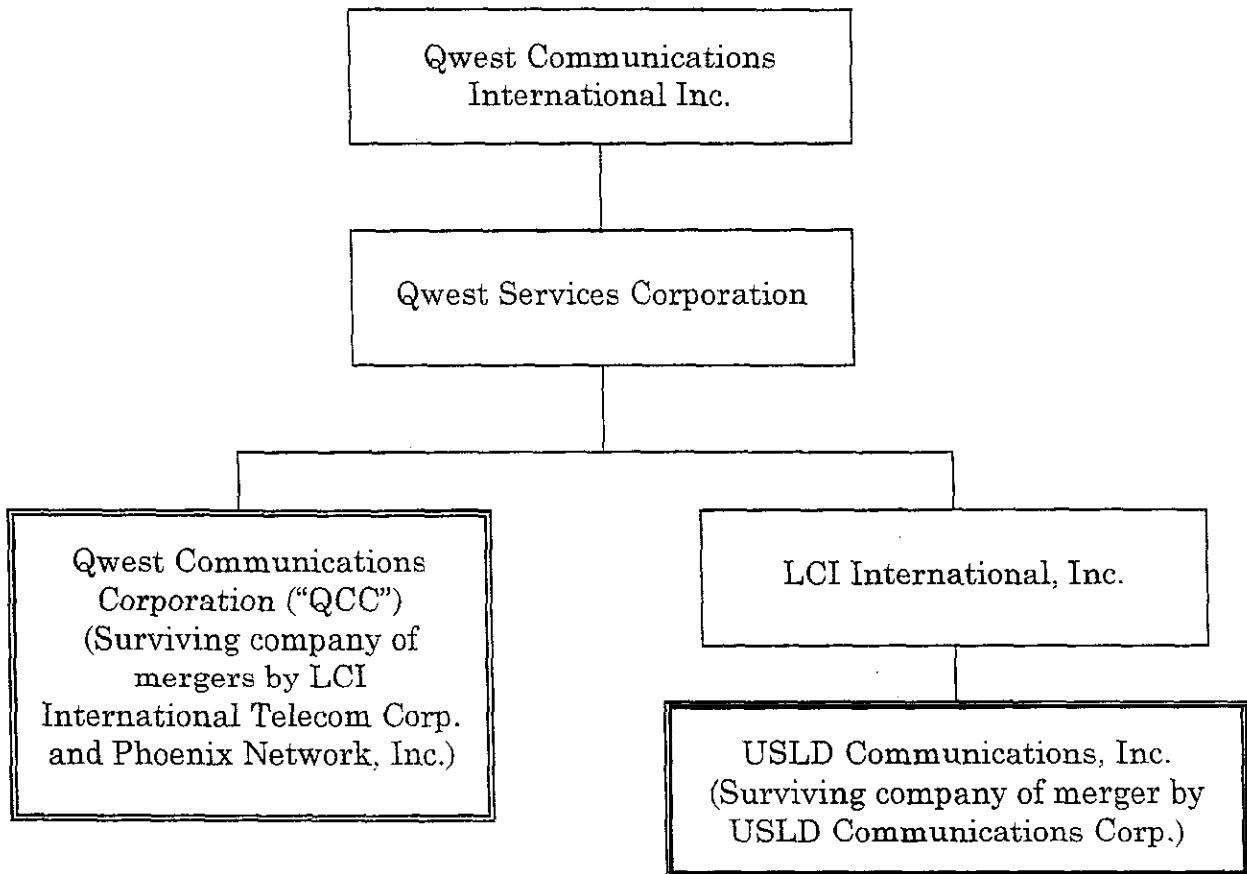
- Authorization to provide basic local telecommunications service as a competitive telecommunications company; Case No. Case No. TA-97-60 (March 18, 1997)
- Authorization to provide resold intrastate interexchange telecommunications services; Case No. TA-91-390 (February 21, 1992)
- Authorization to provide operator telecommunications services; Case No. TA-91-390 (February 21, 1992)

CHART OF PRE-RESTRUCTURING ORGANIZATIONAL STRUCTURE
FOR THE AFFECTED ENTITIES



Note: Subsidiaries with double borders hold certificates of authority. Other subsidiaries, which are not affected by the restructuring, are not represented.

CHART OF PROPOSED ORGANIZATIONAL STRUCTURE
FOR THE AFFECTED ENTITIES



Note: Subsidiaries with double borders hold certificates of authority. Other subsidiaries, which are not affected by the restructuring, are not represented.

ALJ/Secretary:

D. Pygall Jr., Jr.

Date Circulated

10-26 TM-2001-628
CASE NO.

KS

I concur

Simmons, Chair

Yes *I think we need to*
in order a jurisdictional
Statement.

Murray, Commissioner

Yes - what about
USLD?

Lumpe, Commissioner

Gaw, Commissioner

Yes

Commissioner

10-30
Agenda Date

Action taken:

4-0 "AA"

Must Vote Not Later Than

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 30th day of Oct. 2001.

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

