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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 25th
day of June, 1998.

In the Matter of the Joint Application)
of McLeodUSA Telecommunications Services,)
Inc. and Consolidated Communications)
Telecom Services Inc. for Approval of)
Merger.)
Case No. TM-98-300

ORDER APPROVING MERGER AND CANCELLING CONDITIONAL
CERTIFICATES OF SERVICE AUTHORITY

On January 20, 1998, McLeodUSA Telecommunications Services, Inc.
(McLeodUSA Telecom) and Consolidated Communications Telecom Services Inc.
(CCTS) filed a joint application pursuant to Section 392.300, RSMo 1994,
seeking approval of the Missouri Public Service Commission (Commission)
for the merger of CCTS with and into McLeodUSA Telecom, with McLeodUSA
Telecom as the surviving entity.

McLeodUSA Telecom is an Iowa corporation, with its principal place
of business located at McLeodUSA Technology Park, 6400 C Street SW, Cedar
Rapids, Iowa 52406. McLeodUSA Telecom is a wholly-owned subsidiary of
McLeodUSA, Inc. (McLeodUSA), and holds a certificate to provide
intrastate interexchange telecommunications services which was issued by
the Commission on June 14, 1996 in Case No. TA-96-291.¹ McLeodUSA Telecom
filed an application for authority to provide basic local and local

¹ The certificate was granted in the name of McLeod Telemanagement,
Inc. d/b/a McLeod Telemanagement Organization. McLeod Telemanagement,
Inc. subsequently obtained Commission approval to change its name to
McLeodUSA Telecom on October 15, 1997 in Case No. TO-98-39.

exchange services in Case No. TA-98-288, currently pending before the Commission.²

CCTS is an Illinois corporation with its principal place of business located at 121 South 17th Street, Mattoon, Illinois 61938. CCTS is a wholly-owned subsidiary of Consolidated Communications Inc. (CCI), and holds a certificate to provide intrastate interexchange telecommunications services which was issued by the Commission on April 22, 1988 in Case No. TA-88-219.³ CCTS was also granted conditional certificates of service authority to provide basic local and local exchange telecommunications service in Missouri on January 3, 1997 in Case No. TA-97-31. These certificates were conditioned upon approval of interconnection agreements and tariffs, which have not to date been filed.

The proposed transaction is structured as a merger of CCTS with and into McLeodUSA Telecom, with McLeodUSA Telecom being the surviving entity. The purpose of the transaction is to implement a corporate reorganization by which two of the subsidiaries of McLeodUSA⁴, McLeodUSA Telecom and CCTS, would be combined. Following the reorganization, CCTS's customers and operations will be transferred to McLeodUSA Telecom,

² Conditional certificates were granted on May 19, and a tariff was filed on June 19, with an effective date of July 19.

³ The certificate was originally issued in the name of Midwest Fibernet Inc. Subsequently Midwest Fibernet was merged into Consolidated Network Inc., and the surviving entity's name was changed to CCTS. The Commission approved the merger on February 7, 1996 in Case No. TM-96-136.

⁴ McLeodUSA and CCI, the parent companies of McLeodUSA Telecom and CCTS respectively, previously consummated a merger by which CCI became a wholly-owned subsidiary of McLeodUSA. The Commission was advised of the pendency of the parent company merger by letter dated June 19, 1997.

which will continue to be a subsidiary of McLeodUSA. Service will be provided to current CCTS customers per the terms of its Commission-approved tariff, as incorporated into the tariff of McLeodUSA Telecom.

Applicants state that the proposed reorganization will allow McLeodUSA to integrate the operations of its subsidiaries in order to take advantage of significant economic, marketing, and administrative efficiencies. The greater efficiencies will in turn permit McLeodUSA Telecom to make greater investments in facilities and customer services. Applicants note that there should be no impact on the tax revenues of any political subdivision. Applicants further state that they are unaware of any pending or final judgments against them from any federal or state agency with respect to the issues of customer service or rates.

The Staff of the Commission (Staff) filed a memorandum containing its recommendations on April 3. Staff states that CCTS will merge into McLeodUSA Telecom, and CCTS's interexchange customers, operations, and all assets will be transferred to McLeodUSA Telecom. McLeodUSA Telecom will assume CCTS's operations and will provide interexchange service to CCTS's customers. Staff states that McLeodUSA Telecom will incorporate CCTS interexchange services and rates into the McLeodUSA Telecom tariff, and that CCTS's interexchange customers will be sent written notice of the merger and will be given the option of either switching to McLeodUSA Telecom's services, or keeping their current CCTS services.

Staff has reviewed the application and has no objections to the proposed merger, and recommends approval of the proposed transaction. Staff also recommends that the Commission direct McLeodUSA Telecom to make the necessary tariff filing to incorporate CCTS's interexchange services and rates into McLeodUSA Telecom's tariff within 30 days of the

effective date of the Commission's order, and that the Commission cancel CCTS's certificate of service authority to provide interexchange service and the accompanying tariff 45 days from the effective date of the Commission's order. Staff adds that the only filing which would affect or would be affected by this proposal is Case No. TA-98-288, which involves McLeodUSA Telecom's application to provide basic local and local exchange service.

After a review of the case file and Staff's recommendation, the Commission issued an Order Directing the Filing of a Supplemental Staff Recommendation on May 26. The Commission specifically directed that the supplemental recommendation indicate how many Missouri customers of CCTS would be affected by the merger, and whether McLeodUSA Telecom intended to grandfather the services and rates of CCTS.

On June 1, in compliance with the Commission's order, the Staff filed a supplemental recommendation. Staff states that CCTS had 2,516 customers in Missouri as of the last billing cycle. Staff also states that current CCTS services and rates will be incorporated into the McLeodUSA Telecom tariff in Missouri, with a notation that these services and rates apply to former CCTS customers. In addition, Staff further explains that McLeodUSA Telecom has committed to no change in CCTS rates until after January 1, 1999, thus CCTS's services and rates will be grandfathered until that date. Current CCTS customers will be given the option to either switch to McLeodUSA Telecom's services and rates or to remain on their current CCTS rate plan. Those customers who do not make an affirmative election will remain on their current CCTS rate plan.

Upon review of the verified application and the attachments thereto, and Staff's recommendation and supplemental recommendation, the

Commission finds that the effect of the proposed transaction is to consolidate two of the Missouri-operating subsidiaries of McLeodUSA, with the surviving entity continuing as a subsidiary of McLeodUSA. The Commission further finds that McLeodUSA Telecom will assume CCTS's interexchange operations and provide interexchange service to CCTS's customers. The change in organization will allow McLeodUSA to integrate the operations of its subsidiaries in order to take advantage of economic, marketing, and administrative efficiencies, which in turn will permit McLeodUSA Telecom to make greater investment in facilities and customer services. The Commission also notes that the period of time during which the services and rates of CCTS will be grandfathered is reasonable. Thus, the Commission finds that the proposed transaction is not detrimental to the public interest.

The Commission concurs with Staff that McLeodUSA Telecom should be directed to make the necessary tariff filing in order to incorporate CCTS's interexchange services and rates into its tariff. However, the Commission will not cancel CCTS's certificate of service authority to provide interexchange service and its accompanying tariff until after McLeodUSA Telecom makes the necessary tariff filing. Since CCTS is not providing basic local or local exchange service at this time, and McLeodUSA Telecom's application for basic local and local exchange certificates has been conditionally granted in Case No. TA-98-288, the Commission will cancel CCTS's conditional certificates of service authority to provide basic local and local exchange telecommunications service.

IT IS THEREFORE ORDERED:

1. That the merger of Consolidated Communications Telecom Services Inc., with and into McLeodUSA Telecommunications Services, Inc., with McLeodUSA Telecommunications Services, Inc. as the surviving entity, is approved in accordance with the joint application filed on January 20, 1998.

2. That McLeodUSA, Inc., McLeodUSA Telecommunications Services, Inc., Consolidated Communications Inc., and Consolidated Communications Telecom Services Inc. are authorized to take any and all actions necessary to effectuate the merger contemplated by the joint application and this order.

3. That McLeodUSA Telecommunications Services, Inc. shall file appropriate changes to its existing tariff in order to incorporate the customers of Consolidated Communications Telecom Services Inc. into its operations, with the tariff sheets to be filed no later than 30 days from the effective date of this order.

4. That the conditional certificates of service authority to provide basic local and local exchange telecommunications service, granted to Consolidated Communications Telecom Services Inc. on January 3, 1997 in Case No. TA-97-31, are canceled.

5. That McLeodUSA Telecommunications Services, Inc. shall file a pleading with the Missouri Public Service Commission notifying the Commission of the closing date of the merger within ten days after completion of the transaction.

6. That this order shall become effective on July 7, 1998.

BY THE COMMISSION

A handwritten signature in black ink, reading "Dale Hardy Roberts". The signature is written in a cursive style with a large initial "D".

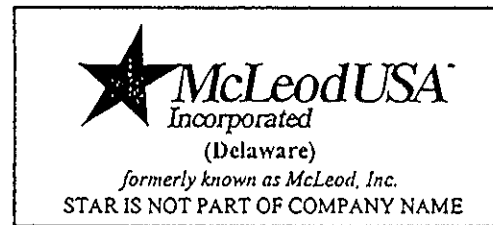
Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

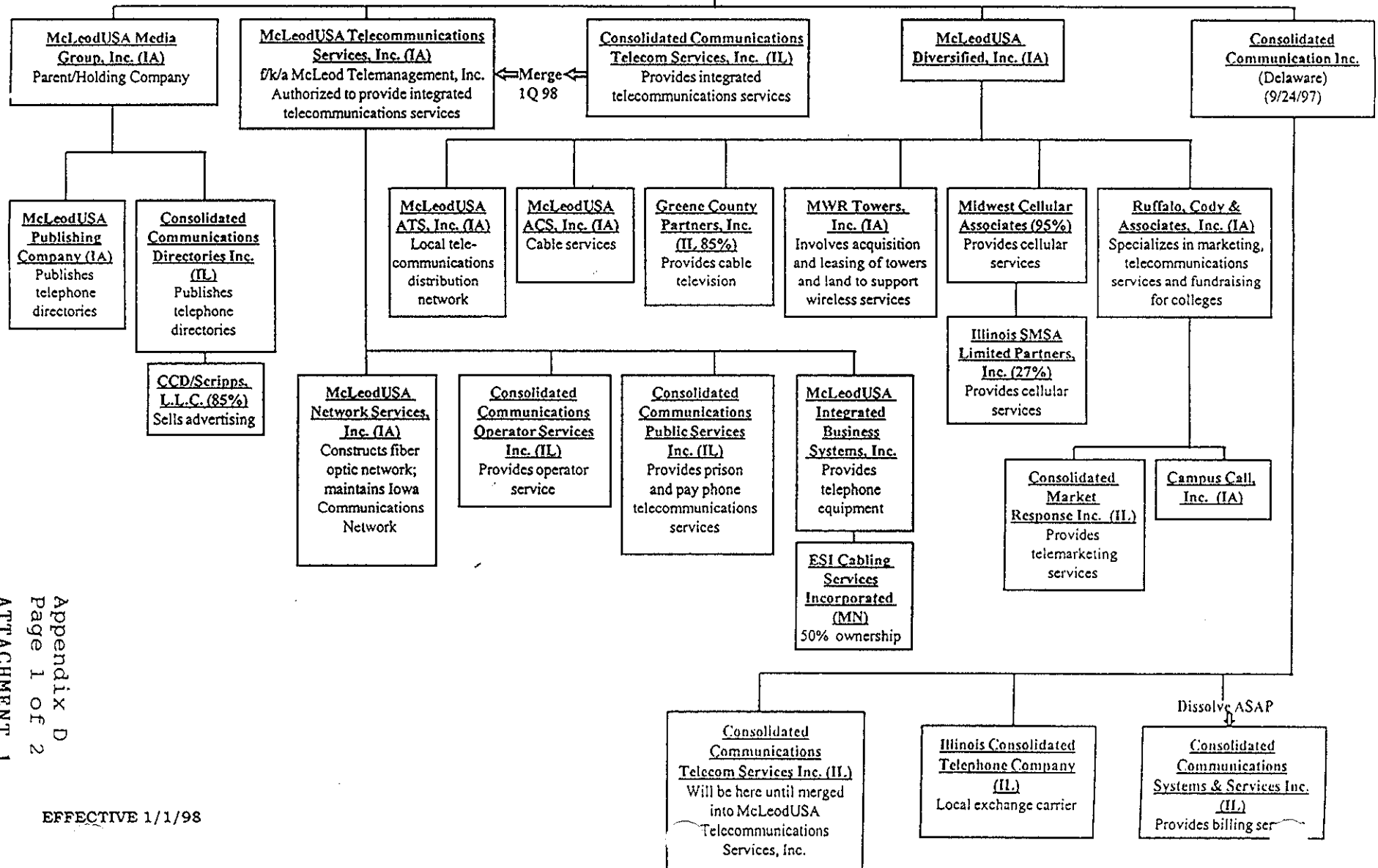
Lumpe, Ch., Crumpton, Schemenauer
and Drainer, CC., concur.
Murray, C., absent.

Bensavage, Regulatory Law Judge

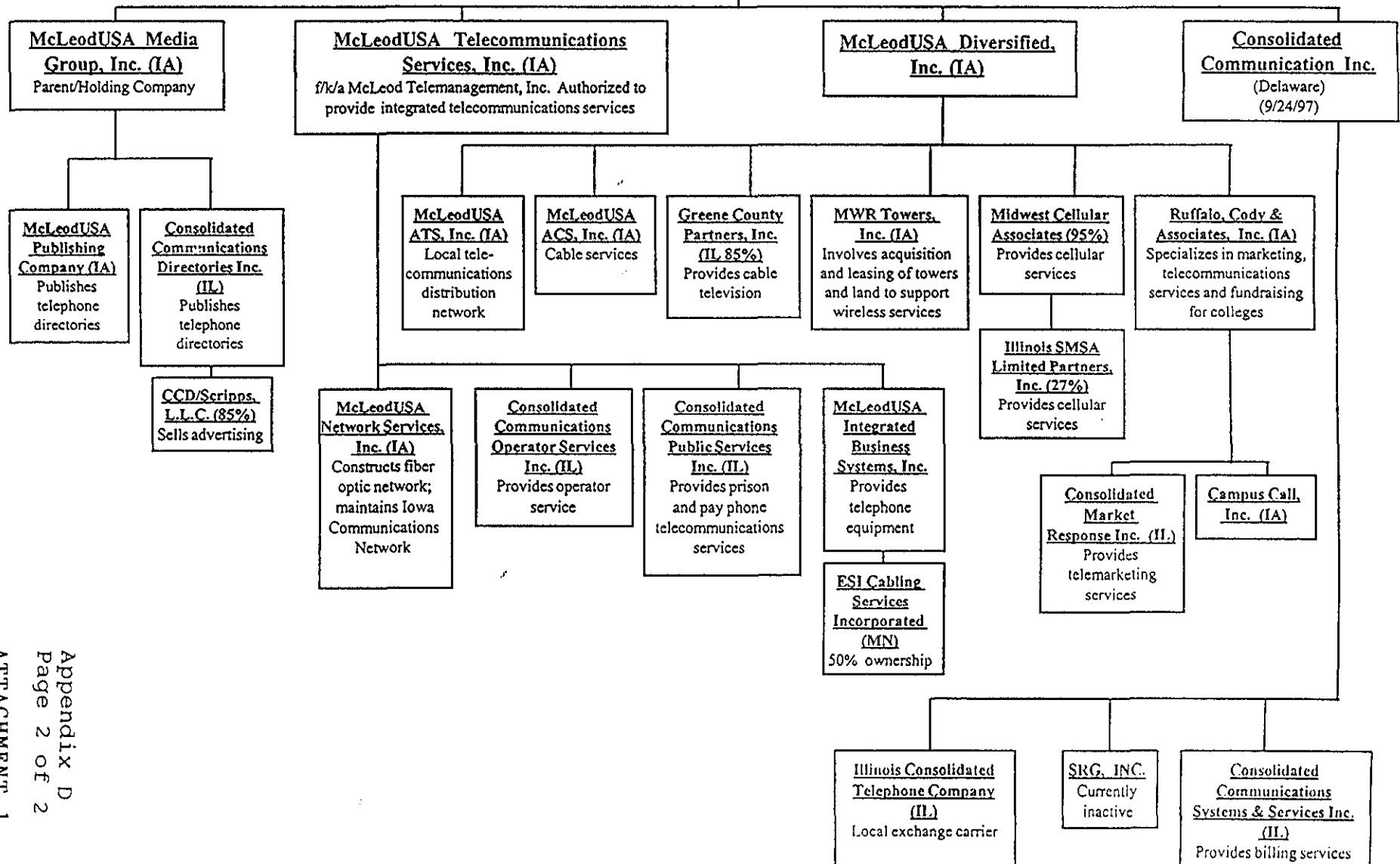
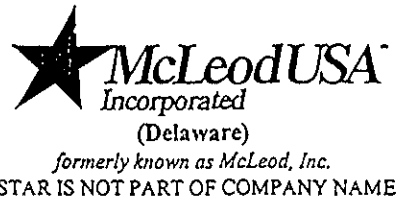
Pre-Merger
Corporate Structure



Financing ?



Post-Merger
Corporate Structure



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JUN 25 1998

COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION