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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 19th
day of May, 1998.

In the Matter of the Application of McLeodUSA)
Telecommunications Services, Inc. for a Certificate)
of Service Authority to Provide Basic Local Tele-) **Case No. TA-98-288**
communications Service and Local Exchange Telecom-)
munications Service in the State of Missouri.)
)

ORDER GRANTING CERTIFICATE OF SERVICE AUTHORITY

McLeodUSA Telecommunications Services, Inc. (McLeodUSA) applied to the Commission on January 14, 1998, for a certificate of service authority to provide basic local telecommunications service and local exchange telecommunications services in Missouri under Sections 392.420 - .440, RSMo 1994,¹ and Sections 392.410 and .450, RSMo Supp. 1996. McLeodUSA asked the Commission to classify it as a competitive company and waive certain statutes and rules as authorized by Sections 392.361 and 392.420. McLeodUSA is an Iowa corporation with offices at McLeodUSA Technology Park, 6400 C Street SW, Cedar Rapids, Iowa 52406-3177.

The Commission issued an Order and Notice on January 15, directing parties wishing to intervene in the case to do so by February 17. The Commission granted permission to intervene to Southwestern Bell Telephone Company (SWBT) on February 24.

¹ All statutory references are to Revised Statutes of Missouri 1994 unless otherwise indicated.

The parties filed a Stipulation and Agreement (Attachment 1 to this order) on March 13. The Commission Staff (Staff) filed Suggestions in Support of the Stipulation and Agreement on March 23.

Background

McLeodUSA, which is certificated to provide intrastate interexchange services in Missouri, wishes certification to provide facilities-based and resold basic local telecommunications service and local exchange telecommunications services as well. Local exchange services are considered competitive services and are subject to different rules and statutory requirements than are basic local services. Therefore, they will be considered separately in the discussion below.

McLeodUSA wants to provide basic local services in portions of Missouri that are currently served by SWBT, GTE Midwest Incorporated (GTE) and Sprint Missouri, Inc. (Sprint). McLeodUSA is not asking for certification in any area that is served by a small incumbent local exchange provider (ILEC). The specific exchanges in which McLeodUSA proposes to operate are described in Appendix A to the application that was filed on January 14 (Attachment 2 to this order). McLeodUSA is requesting that its basic local exchange services be classified as competitive and that the application of certain statutes and regulatory rules be waived.

Discussion

A. Requirements of 4 CSR 240-2.060(4)

Commission rule 4 CSR 240-2.060(4) requires a foreign corporation applying for certification to provide telecommunications services to include in its application a certificate from the Secretary of State showing it is authorized to do business in Missouri, a description of the

types of service it intends to provide, a description of the exchanges where it will offer service, and a proposed tariff with a 45-day effective date. McLeodUSA has provided all the required documentation except for the proposed tariff. The company has requested a temporary waiver of 4 CSR 240-2.060(4)(H) because it is impractical for McLeodUSA to submit a tariff until it has executed interconnection agreements with the ILECs involved. McLeodUSA cannot price its resold services until it has reached price agreements with the ILECs from which it will purchase those services. The company has agreed that, once it is possible to do so, it will submit to the Commission for approval a proposed tariff with a minimum 30-day effective date. McLeodUSA will file the tariff in this case and give notice of the tariff filing to all the parties and participants. Along with that filing McLeodUSA has agreed to provide a written disclosure of all interconnection agreements it has entered into which affect its Missouri service areas.

B. Local Exchange Certification

The Commission finds that McLeodUSA's entry into competition in the local exchange telecommunications market is in the public interest and the company shall be granted a certificate of service authority. The Commission finds that the local exchange services McLeodUSA proposes to offer are competitive and the company shall be classified as a competitive company. The Commission is of the opinion that waiving the statutes and Commission rules set out in Ordered Paragraph 4 is reasonable and not detrimental to the public interest.

C. Basic Local Service Certification

Section 392.455, RSMo Supp. 1996, sets out the requirements for granting certificates to provide basic local telecommunications service to new entrants. A new entrant must: (1) possess sufficient technical, financial and managerial resources and abilities to provide basic local telecommunications service; (2) demonstrate that the services it proposes to offer satisfy the minimum standards established by the Commission; (3) set forth the geographic area in which it proposes to offer service and demonstrate that such area follows exchange boundaries of the incumbent local exchange telecommunications company and is no smaller than an exchange; and (4) offer basic local telecommunications service as a separate and distinct service. In addition, the Commission must give due consideration to equitable access for all Missourians to affordable telecommunications services, regardless of where they live or their income.

1. Technical, financial and managerial resources and abilities.

McLeodUSA submitted Appendix B with its application that lists the names and qualifications of its management team. Appendix B shows that the team members have experience in various areas of the telecommunications industry including financial affairs, regulatory affairs, and marketing. As of October 31, 1997, McLeodUSA provided local exchange service to over 63,000 customers, including 45,000 residential customers in the other nine states in which it does business, which further demonstrates McLeodUSA's technical and managerial expertise. McLeodUSA also submitted as Appendix C its 1996 annual report, and as Appendix D its Form 10-Q for the third quarter of 1997. The Stipulation and Agreement states that McLeodUSA asserts, and no party makes a contrary assertion, that there is sufficient evidence from which the Commission can find and conclude that

McLeodUSA possesses sufficient technical, financial and managerial resources and abilities to provide basic local telecommunications service.

2. The entrant's proposed services satisfy the minimum standards established by the Commission. McLeodUSA stated in its application that the basic local exchange services it will provide will be "equal to or superior to the quality of the basic local telecommunications services that customers in the State of Missouri are currently receiving from the ILEC providers." McLeodUSA also stated that any facilities-based local network which it may install will be a state-of-the-art telecommunications network. McLeodUSA has agreed to meet the Commission's minimum basic local service standards, including quality of service and billing standards. The parties agreed that McLeodUSA proposes to offer basic local services that satisfy the minimum standards established by the Commission.

3. The geographic area in which the company proposes to offer service. McLeodUSA set out in Appendix A to its application all the exchanges in which it proposes to offer services. McLeodUSA has defined its service area by means of the tariffed exchange areas of the ILECs presently providing basic local service in those exchanges. Appendix A consists of a list of the exchanges currently served by SWBT, GTE and Sprint. McLeodUSA has agreed that its service area must follow ILEC exchange boundaries and be no smaller than an exchange. The parties agreed that McLeodUSA has sufficiently identified the geographic area in which it proposes to offer basic local service and that the area follows ILEC exchange boundaries and is no smaller than an exchange.

4. The offering of basic local telecommunications service as a separate and distinct service. McLeodUSA has agreed to offer basic local telecommunications service as a separate and distinct service.

5. **Equitable access for all Missourians to affordable telecommunications services.** McLeodUSA has agreed to provide equitable access, as determined by the Commission, for all Missourians within the geographic area in which it will offer basic local services in compliance with Section 392.455(5), RSMo Supp. 1996.

D. Competitive Classification

The Commission may classify a telecommunications provider as a competitive company if the Commission determines it is subject to sufficient competition to justify a lesser degree of regulation. § 392.361.2. In making that determination the Commission may consider such factors as market share, financial resources and name recognition, among others. In the matter of the investigation for the purpose of determining the classification of the services provided by interexchange telecommunications companies within the State of Missouri, 30 Mo. P.S.C. (N.S.) 16 (1989); In the matter of Southwestern Bell Telephone Company's application for classification of certain services as transitionally competitive, 1 Mo. P.S.C. 3d 479, 484 (1992). In addition, all the services a competitive company provides must be classified as competitive. § 392.361.3. The Commission has found that whether a service is competitive is a subject for case-by-case examination and that different criteria may be given greater weight depending upon the service being considered. *Id.* at 487.

The parties have agreed that McLeodUSA shall be classified as a competitive telecommunications company. The parties have also agreed that McLeodUSA's switched exchange access services may be classified as a competitive service, conditioned upon certain limitations on McLeodUSA's ability to charge for its access services. McLeodUSA has agreed that, unless otherwise ordered by the Commission, its originating and terminating

access rates will be no greater than the lowest Commission-approved corresponding access rates in effect at the date of certification for the large incumbent LECs within those service areas in which McLeodUSA seeks to operate. The parties have agreed that the grant of service authority and competitive classification to McLeodUSA shall be expressly conditioned on the continued applicability of Section 392.200, RSMo Supp. 1996, and on the requirement that any increases in switched access services rates above the maximum switched access service rates set forth in the agreement must be cost-justified pursuant to Sections 392.220, RSMo Supp. 1996, and 392.230, rather than Sections 392.500 and 392.510.

The parties agreed that waiver of the following statutes is appropriate: Sections 392.210.2, 392.270, 392.280, 392.290.1, 392.300.2, 392.310, 392.320, 392.330, RSMo Supp. 1996, and 392.340. The parties also agreed that application of these Commission rules could be waived: 4 CSR 240-10.020, 4 CSR 240-30.040, and 4 CSR 240-35.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact:

- A. The Commission finds that competition in the local exchange and basic local exchange telecommunications markets is in the public interest.
- B. The Commission finds that McLeodUSA has met the requirements of 4 CSR 240-2.060(4) for applicants for certificates of service authority to provide telecommunications services with the exception of the filing of a tariff with a 45-day effective date.

- C. The Commission finds that McLeodUSA has demonstrated good cause to support a temporary waiver of the tariff filing requirement and the waiver shall be granted.
- D. The Commission finds that the local exchange services market is competitive and that granting McLeodUSA a certificate of service authority to provide local exchange telecommunications services is in the public interest. McLeodUSA's certificate shall become effective when its tariff becomes effective.
- E. The Commission finds that McLeodUSA meets the statutory requirements for provision of basic local telecommunications services and has agreed to abide by those requirements in the future. The Commission determines that granting McLeodUSA a certificate of service authority to provide basic local exchange telecommunications services is in the public interest. McLeodUSA's certificate shall become effective when its tariff becomes effective.
- F. The Commission finds that McLeodUSA is a competitive company and shall be granted waiver of the statutes and rules set out in Ordered Paragraph 4.
- G. The Commission finds that McLeodUSA's certification and competitive status are expressly conditioned upon the continued applicability of Section 392.200, RSMo Supp. 1996, and on the requirement that any increases in switched access services rates above the maximum switched access service rates set forth in the agreement must be cost-justified pursuant to Sections 392.220, RSMo Supp. 1996, and 392.230, rather than Sections 392.500 and 392.510.

Conclusions of Law

The Missouri Public Service Commission has reached the following conclusions of law:

The Commission has the authority to grant certificates of service authority to provide telecommunications service within the state of Missouri. McLeodUSA has requested certification under Sections 392.420 - .440, and Sections 392.410 and .450, RSMo Supp. 1996. Those statutes permit the Commission to grant a certificate of service authority where the grant of authority is in the public interest. Sections 392.361 and .420 authorize the Commission to modify or suspend the application of its rules and certain statutory provisions for companies classified as competitive or transitionally competitive.

The federal Telecommunications Act of 1996 and Sections 392.185 and 392.455, RSMo Supp. 1996, were designed to institute competition in the basic local exchange telecommunications market in order to benefit all telecommunications consumers. Section 392.185, RSMo Supp. 1996, states that "the provisions of this chapter shall be construed to: (1) Promote universally available and widely affordable telecommunications services; . . . (3) Promote diversity in the supply of telecommunications services and products throughout the state of Missouri; . . . (6) Allow full and fair competition to function as a substitute for regulation when consistent with the protection of ratepayers and otherwise consistent with the public interest . . ."

The Commission has the legal authority to accept a Stipulation and Agreement as offered by the parties as a resolution of the issues raised in this case, pursuant to Section 536.060, RSMo Supp. 1996. Based upon the information contained within the Stipulation and Agreement of the parties

and on its findings of fact, the Commission concludes that the Stipulation and Agreement shall be approved.

IT IS THEREFORE ORDERED:

1. That the stipulation of the parties, filed on March 13, 1998, is approved.

2. That McLeodUSA Telecommunications Services, Inc. is granted a certificate of service authority to provide local exchange telecommunications services in the state of Missouri, subject to the conditions of certification set out above and to all applicable statutes and Commission rules except as specified in this order. The certificate of service authority shall become effective when the company's tariff becomes effective.

3. That McLeodUSA Telecommunications Services, Inc. is granted a certificate of service authority to provide basic local telecommunications services in the state of Missouri to become effective when the company's tariff becomes effective, subject to all applicable statutes and Commission rules except as specified in this order.

4. That McLeodUSA Telecommunications Services, Inc. is classified as a competitive telecommunications company. Application of the following statutes and regulatory rules shall be waived:

Statutes

- 392.210.2 - uniform system of accounts
- 392.270 - valuation of property (ratemaking)
- 392.280 - depreciation accounts
- 392.290.1 - issuance of securities
- 392.300.2 - acquisition of stock
- 392.310 - stock and debt issuance
- 392.320 - stock dividend payment
- 392.340 - reorganization(s)
- 392.330, RSMo Supp. 1996 - issuance of securities, debts and notes

Commission Rules

- 4 CSR 240-10.020 - depreciation fund income
- 4 CSR 240-30.040 - uniform system of accounts
- 4 CSR 240-35 - reporting of bypass and
customer-specific arrangements

5. That the filing of a 45-day tariff as required by 4 CSR 240-2.060(4)(H) is waived until McLeodUSA Telecommunications Services, Inc. has entered into a Commission-approved interconnection agreement that enables it to provide basic local exchange services.

6. That McLeodUSA Telecommunications Services, Inc. shall file tariff sheets for approval reflecting the rates, rules, regulations and the services it will offer within 30 days after Commission approval of the necessary interconnection agreement(s). The tariff shall be filed in Case No. TA-98-288 and shall include a listing of the statutes and Commission rules waived under Ordered Paragraph 4.

7. That McLeodUSA Telecommunications Services, Inc. shall give notice of the filing of the tariffs described in Ordered Paragraph 6 to all parties or participants. In addition, McLeodUSA Telecommunications Services, Inc. shall file a written disclosure of all interconnection agreements which affect its Missouri service areas, all portions of Missouri service areas for which it does not have an interconnection agreement, and an explanation of why no interconnection agreement is necessary for those areas.

8. That McLeodUSA Telecommunications Services, Inc.'s certification and competitive status are expressly conditioned upon the continued applicability of Section 392.200, RSMo Supp. 1996, and on the requirement that any increases in switched access service rates above the maximum switched access service rates set forth in the agreement must be

cost-justified pursuant to Sections 392.220, RSMo Supp. 1996, and 392.230, rather than Sections 392.500 and 392.510.

9. That this order shall become effective on May 29, 1998.

BY THE COMMISSION

A handwritten signature in black ink that reads "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., Drainer, Murray
and Schemenauer, CC., concur.
Crompton, C., absent.

Randles, Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

MAR 18 1998
MISSOURI
PUBLIC SERVICE COMMISSION

In the matter of the Application of)
McLeodUSA Telecommunications Services,)
Inc. for a Certificate of)
Service Authority to Provide Basic)
Local Telecommunications Service and)
Local Exchange Telecommunications)
Service in the State of Missouri)

Case No. TA-98-288

STIPULATION AND AGREEMENT

McLeodUSA Telecommunications Services, Inc. (Applicant or McLeodUSA Telecom) initiated this proceeding on January 14, 1998, by filing an Application requesting certificate of service authority to provide facilities-based and resold basic local telecommunications service and local exchange telecommunications service in those portions of Missouri that are currently served by Southwestern Bell Telephone Company (SWBT), GTE of the Midwest, Incorporated (GTE) and United Telephone Company of Missouri, d/b/a Sprint (Sprint), and other relief.

The Missouri Public Service Commission (Commission) has granted the timely application to intervene of Southwestern Bell Telephone Company (SWB).

A. Standards and Criteria

The parties to this Stipulation and Agreement employed the following standards and criteria, which are intended to meet the requirements of existing law and §392.450 and 392.455, RSMo Supp. 1996, regarding applications for certificates of local exchange service authority to provide or resell basic local telecommunications service, in negotiating the provisions of this Stipulation and Agreement.

1. For purposes of this Stipulation and Agreement, the parties agree that applications for local exchange and basic local exchange service authority in exchanges served by "large"

local exchange companies (LECs)¹ should be processed in a manner similar to that in which applications for interexchange authority are currently handled.

2. In determining whether McLeodUSA Telecom's application for certificate of service authority should be granted, the Commission should consider McLeodUSA Telecom's technical, financial and managerial resources and abilities to provide basic local telecommunications service. McLeodUSA Telecom must demonstrate that the basic local services it proposes to offer satisfy the minimum standards established by the Commission, including but not limited to McLeodUSA Telecom agreeing to file and maintain basic local service tariff(s) with the Commission in the same manner and form as the Commission requires of incumbent local exchange telecommunications companies with which applicant seeks to compete. Further, McLeodUSA Telecom must agree to meet the minimum basic local service standards, including quality of service and billing standards, as the Commission requires of the incumbent local exchange telecommunications companies with which applicant seeks to compete. Notwithstanding the provisions of §392.500 RSMo (1994), as a condition of certification and competitive classification, McLeodUSA Telecom must agree that, unless otherwise ordered by the Commission, McLeodUSA Telecom's originating and terminating access rates will be no greater than the lowest Commission approved corresponding access rates in effect at the date of certification for the large incumbent LEC(s) within those service area(s) McLeodUSA Telecom seeks authority to provide service. Further, McLeodUSA Telecom must agree to offer basic local telecommunications service as a separate and distinct service and must sufficiently identify

¹Large LECs are defined as LECs who serve 100,000 or more access lines §386.020 RSMo. Supp. 1996. In Missouri, the current large LECs are SWB, GTE and Sprint.

the geographic service area in which it proposes to offer basic local service. Such area must follow exchange boundaries of the incumbent local exchange telecommunications companies in the same area and must be no smaller than an exchange. Finally, McLeodUSA Telecom must agree to provide equitable access as determined by the Commission for all Missourians within the geographic area in which it proposes to offer basic local service, regardless of where they live or their income, to affordable telecommunications services. See §392.455 RSMo Supp. 1996.

3. McLeodUSA Telecom has submitted its application without tariffs and seeks a temporary waiver of 4 CSR 240-2.060(4)(H). McLeodUSA Telecom agrees to file its initial tariff(s) in this certification docket and serve all parties thereto with written notice at the time the initial tariff(s) are submitted to afford them an opportunity to participate in the tariff approval process. Copies of the tariff(s) will be provided by Applicant to such parties immediately upon request. Any service authority shall be regarded as conditional and shall not be exercised until such time as tariff(s) for services have become effective. When filing its initial basic local tariff, McLeodUSA Telecom shall also file and serve a written disclosure of all resale and/or interconnection agreements which affect its Missouri service areas, all portions of its Missouri service areas for which it does not have a resale and/or interconnection agreement with the incumbent local exchange carrier; and its explanation of why such a resale and/or interconnection agreement is unnecessary for such areas.

4. McLeodUSA Telecom has, pursuant to §392.420 RSMo, requested that the Commission waive the application of any or all of the following statutory provisions and rules to basic local telecommunications services, and the parties agree that the Commission should

grant such request provided that §392.200 RSMo should continue to apply to all of McLeodUSA Telecom's services:

STATUTORY PROVISIONS

§392.210.2
§392.270
§392.280
§392.290.1
§392.300.2
§392.310
§392.320
§392.330
§392.340

COMMISSION RULES

4 CSR 240-10.020
4 CSR 240-30.040
4 CSR 240-35

B. McLeodUSA Telecom Certification

5. McLeodUSA Telecom hereby agrees that its application should be deemed amended to include by reference the terms and provisions described in paragraphs 2-4 above.

6. Based upon its verified Application, McLeodUSA Telecom asserts, and no party makes a contrary assertion, that there is sufficient evidence from which the Commission can find and conclude that McLeodUSA Telecom:

- A. possesses sufficient technical, financial and managerial resources and abilities to provide basic local telecommunications service and local exchange telecommunications service, including exchange access service;
- B. proposes and agrees to offer basic local services that satisfy the minimum standards established by the Commission;
- C. has sufficiently identified the geographic area in which it proposes to offer basic local service and such area follows exchange boundaries of the

incumbent local exchange telecommunications companies in the same areas, and such area is no smaller than an exchange;²

- D. will offer basic local telecommunications service as a separate and distinct service;
- E. has agreed to provide equitable access for all Missourians as determined by the Commission for all Missourians within the geographic area in which it proposes to offer basic local service, regardless of where they live or their income, to affordable telecommunications services;³ and
- F. has sought authority which will serve the public interest.

7. McLeodUSA Telecom asserts, and no party opposes, that McLeodUSA Telecom's application and request for authority to provide basic local telecommunications services and local exchange telecommunications services (including exchange access service) should be granted. All services authorized herein should be classified as competitive telecommunications services provided that the requirements of §392.200 continue to apply, and McLeodUSA Telecom shall remain classified as a competitive telecommunications company. McLeodUSA Telecom asserts, and no party opposes, that such services will be subject to sufficient competition by the services of the incumbent LECs to justify a lesser degree of regulation of McLeodUSA Telecom's services consistent with the protection of ratepayers and the promotion of the public interest. Such classification should become effective upon the tariffs for the services becoming effective.

²The identification of specific geographic areas within which Applicant proposes to offer services as referred to in this paragraph shall not be construed to foreclose Applicant from petitioning the Commission pursuant to §392.200.4 and .8 RSMo.

³The agreement in Paragraph 6.E. of this Stipulation and Agreement is without prejudice to Applicant's right to appear, after proper application and in accord with Commission rules and regulations, in any rulemaking proceeding or other proceeding regarding the Commission's considerations of equitable access under §392.455.(5) RSMo. Furthermore, such agreement should not be construed as an admission or conclusion by Applicant that §392.455.(5) RSMo. creates new or specific duties or obligations on telecommunications companies to provide equitable access.

Such authority should be conditional, not to be exercised until such time as tariffs for those services have been filed (together with the written disclosure as stipulated above) and have become effective. The Commission's Order should state the foregoing conditions substantially as follows:

The service authority and service classification herein granted are subject to the requirements of §392.200 and are conditional and shall not be exercised until such time as tariffs for services have become effective.

The parties agree that McLeodUSA Telecom's switched exchange access services may be classified as competitive services. The parties further agree that the applicant's switched exchange access services are subject to §392.200. Any increases in switched access service rates above the maximum switched access service rates as set forth in paragraph 2 herein shall be cost-justified and be made pursuant to §392.220 and 392.230 and not 392.500 and 392.510. The Commission's Order should state the foregoing conditions substantially as follows:

The service authority and service classification for switched exchange access granted herein is expressly conditioned on the continued applicability of §392.200 and the requirement that any increases in switched access service rates above the maximum switched access service rates set forth herein shall be cost-justified and pursuant to §392.220 and 392.230 and not §392.500 and 392.510.

8. McLeodUSA Telecom's request for a waiver of 4 CSR 240-2.060(4)(H), which requires applications to include a proposed tariff with a 45-day effective date is not opposed by the parties and should be granted because McLeodUSA Telecom does not yet have approved resale and/or interconnection agreements with the large incumbent LECs. McLeodUSA Telecom agrees that at such time as all facts necessary for the development of tariffs become known, it will submit tariffs in this docket, with a minimum 30-day proposed effective date, to the Commission for its approval, together with the written disclosure as stipulated above. McLeodUSA Telecom shall serve notice to all parties and participants in this docket of the filing

of its tariffs at the time they are filed with the Commission and serve them with the aforesaid written disclosure and shall upon request immediately provide any party with a copy of those tariffs. The Commission's Order should state these obligations as conditions to the waiver of 4 CSR 240-2.060(4)(H), substantially as follows:

Applicant's request for temporary waiver of 4 CSR 240-2.060(4)(H) is hereby granted for good cause in that applicant does not yet have approved an resale and/or interconnection agreement with the incumbent local exchange carrier within whose service areas it seeks authority to provide service; provided, when applicant submits its tariffs in this docket to the Commission such tariffs shall have a minimum of a 30-day effective date and the applicant shall serve written notice upon the parties hereto of such submittal, and shall provide copies of such tariffs to such parties immediately upon request. When filing its initial basic local tariff in this docket, the applicant shall also file and serve upon the parties hereto a written disclosure of: all resale and/or interconnection agreements which affect its Missouri service areas; all portions of its Missouri service areas for which it does not have a resale and/or interconnection agreement with the incumbent local exchange carrier; and its explanation of why such a resale and/or interconnection agreement is unnecessary for any such areas.

9. McLeodUSA Telecom's request for waiver of the application of the following rules and statutory provisions as they relate to the regulation of McLeodUSA Telecom's services should be granted:

STATUTORY PROVISIONS

§392.210.2
§392.270
§392.280
§392.290.1
§392.300.2
§392.310
§392.320
§392.330
§392.340

COMMISSION RULES

4 CSR 240-10.020

4 CSR 240-30.040

4 CSR 240-35

10. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof. The Stipulations herein are specific to the resolution of this proceeding and are made without prejudice to the rights of the signatories to take other positions in other proceedings.

11. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties and participants waive, with respect to the issues resolved herein: their respective rights pursuant to §536.080.1 RSMo 1994, to present testimony, to cross examine witnesses, and to present oral argument or written briefs; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2 RSMo 1994; and their respective rights to seek rehearing pursuant to §386.500 RSMo 1994 and to seek judicial review pursuant to §386.510 RSMo 1994. The parties agree to cooperate with the Applicant and with each other in presenting this Stipulation and Agreement for approval to the Commission and shall take no action, direct or indirect, in opposition to the request for approval of the McLeodUSA Telecom application made herein.

12. The Staff may submit a Staff Recommendation concerning matters not addressed in this Stipulation. In addition, if requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record and participant herein shall be served with a

copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all parties and participants. All memoranda submitted by the parties shall be considered privileged in the same manner as settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties and participants, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to the Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties and participants with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure.

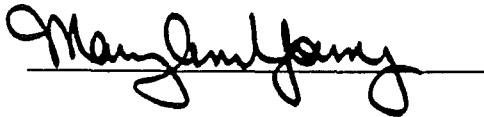
13. The Office of Public Counsel, while not a signatory to this Stipulation and Agreement, has been contacted with regard to its filing and has offered no objection.

14. Finally, McLeodUSA Telecom will comply with all applicable Commission rules and regulations except those which are specifically waived by the Commission.

WHEREFORE, the signatories respectfully request the Commission to issue its Order approving the terms of this Stipulation and Agreement and issue its Order granting authority and

classification as requested by McLeodUSA Telecom, subject to the conditions described above,
at its earliest convenience.

Respectfully submitted,

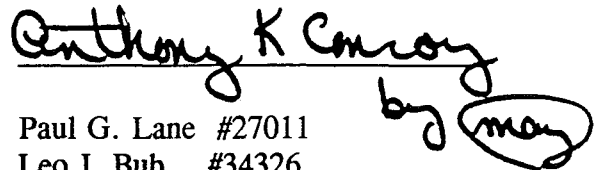
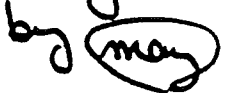


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by 

FOR: Staff of the Missouri
Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that a copy of this document has been hand delivered or mailed by first class mail, postage prepaid to the parties of record listed on the attached service list, on this 13th day of March, 1998.


Mary Ann (Garr) Young

SOUTHWESTERN BELL TELEPHONE COMPANY MISSOURI LOCAL EXCHANGES¹

Adrian	Eldon	Lake Ozark-Osage	Qulin
Advance	Elsberry	Beach	
Agency	Essex	Lamar	Richmond
Altenburg-Frohna	Eureka	LaMonte	Richwoods
Antonia	Excelsior	Lancaster	Risco
Archie	Springs	Leadwood	Rushville
Argyle		Lilbourn	
Armstrong	Farley	Linn	Ste. Genevieve
Ash Grove	Farmington	Lockwood	St. Charles
	Fayette	Louisiana	St. Clair
Beaufort	Fenton		St. Joseph
Bell City	Festus-Crystal	Macks Creek	St. Louis Metro
Benton	City	Malden	St. Marys
Billings	Fisk	Manchester	San Antonio
Bismarck	Flat River	Marble Hill	Scott City
Bloomfield	Frankford	Marceline	Sedalia
Bloomsdale	Fredericktown	Marionville	Senath
Bonne Terre	Freeburg	Marshall	Sikeston
Boonville	Fulton	Marston	Slater
Bowling Green		Maxville	Smithville
Brookfield	Gideon	Meta	Springfield
	Glasgow	Mexico	Stanberry
Camdenton	Grain Valley	Moberly	
Campbell	Gravois Mills	Monett	Trenton
Cape Girardeau	Gray Summit	Montgomery City	Tuscumbia
Cardwell	Greenwood	Morehouse	
Carl Junction			Union
Carrollton	Hannibal	Neosho	
Carthage	Harvester	Nevada	Valley Park
Caruthersville	Hayti	New Franklin	Versailles
Cedar Hill	Herculaneum-	New Madrid	Vienna
Center	Pevely		
Chaffee	Higbee	Oak Ridge	Walnut Grove
Charleston	High Ridge	Old Appleton	Wardell
Chesterfield	Hillsboro	Oran	Ware
Chillicothe	Holcomb		Washington
Clarksville	Hornersville	Pacific	Webb City
Clever		Patton	Wellsville
Climax Springs	Imperial	Paynesville	Westphalia
		Perryville	Wyatt
Deering	Jackson	Pierce City	
DeKalb	Jasper	Pocohontas-New	
Delta	Joplin	Wells	
DeSoto		Pond	
Dexter	Kansas City	Poplar Bluff	
Downing	Metro	Portage Des	
	Kennett	Sioux	
East Prairie	Kirksville	Portageville	
Edina	Knob Noster	Puxico	

¹Source: Southwestern Bell Telephone Company Local Exchange Tariff
P.S.C. MO.-No. 24 39th Revised Sheet 6 through Revised Sheet 9.

GTE MIDWEST INCORPORATED MISSOURI LOCAL EXCHANGES¹

Alton	Concordia	High Hill	Moscow Mills
Amazonia	Conway	Highlandville	Mount Sterling
Annapolis	Cosby	Holstein	Mt. Vernon
Arcola	Crane	Houston	Mtn. Grove
Ashland	Cross Timbers	Humansville	Mtn. View
Augusta	Cuba	Hunnewell	
Aurora		Hurley	Nebo
Ava	Dadeville		New Melle
Avenue City	Dalton	Irondale	Niangua
Avilla	Dardenne/Lake St. Louis	Ironton	Norwood
Belgrade	Defiance	Jamestown	Oates
Belle	Dora	Jenkins	O'Fallon
Belleview		Jerico Springs	Old Monroe
Birch Tree	Easton	Jonesburg	Osborn
Bland	Edgar Springs		Osceola
Blue Eye	Eldorado Springs	Kahoka	Ozark
Bolckow	Elkland	Keytesville	
Boss	Ellsinore	Kidder	Palmyra
Bourbon	Elmer	Kimberling City	Paris
Bradleyville	Eminence	Kingston	Perry
Branson	Everton	Koshkonong	Pittsburg
Branson West	Ewing		Plattsburg
Braymer	Exeter	LaBelle	Potosi
Bronaugh-		Laddonia	Prairie Home
Moundville	Fillmore	LaGrange	Preston
Brunswick	Foley	La Plata	Protom
(Triplett)	Fordland	Lawson	
Buffalo	Foristell	Leasburg	Raymondville
Bunker	Forsyth	Lesterville	Reeds Spring
	Fremont	Lewistown	Revere
		Licking	Roby
Cabool		Louisburg	Rocheport
Caledonia	Gainesville	Lowry City	Rockaway Beach
Cameron	Galena		Rockville
Canton	Golden City		Rosendale
Cape Fair	Gorin	Macon	
Cassville	Gower	Manes	
Caulfield	Greenfield	Mano	St. James
Cedar Creek	Grovespring	Mansfield	St. Peters
Centerville		Marshfield	Safe
Centralia	Hallsville	Marthasville	Santa Fe
Chamois	Hamilton	Maysville	Sarcoxie
Clarence	Hartville	Milo	Savannah
Clark	Hawk Point	Monroe City	Schell City
Clarksdale	Helena	Montauk Park	Seymour
Collins	Hermann	Monticello	Shelbina
Columbia	Hermitage	Morrison	Shelbyville

¹Source: GTE Midwest Incorporated General and Local Exchange Tariff
PSC MO. NO. 1, Section 4, Sheets 6 through 15.

GTE LOCAL EXCHANGES (contd.)

Sheldon
Shell Knob
Sparta
Stewartsville
Stoutsville
Sturgeon
Summersville

Thayer
Theodosia
Thomasville
Timber
Trimble
Troy
Truxton
Turney

Urbana

Van Buren
Vanzant
Vichy

Walker
Warrenton
Washburn
Wasola
Wayland*
Weaubleau
Wentzville
West Plains
West Quincy
Wheatland
Whitesville
Willow Springs
Winfield
Winona
Wooldridge
Wright City

*Includes
customers in
Base Rate Area
Alexandria

UNITED TELEPHONE COMPANY MISSOURI LOCAL EXCHANGES¹

Appleton City	Ionia	St. Robert
Blackburn	Jefferson City	St. Thomas
Blairstown		Salem
Brazito	Kearney	Smithton
Buckner	King City	Strasburg
Butler	Kingsville	Sweet Springs
		Syracuse
Calhoun	Lake Lotawana	Taos
California	Lebanon	Tarkio
Camden Point	Leeton	Tipton
Centertown	Lexington	
Centerview	Lincoln	Urich
Chilhowee	Lone Jack	
Clarksburg		Warrensburg
Clinton	Malta Bend	Warsaw
Coal	Maryville	Waverly
Cole Camp	Missouri City	Waynesville
Craig	Montrose	Wellington
	Mound City	Weston
Dearborn		Windsor
Deepwater	New Bloomfield	
	Newburg	
Edgerton	Norborne	
Eugene		
	Oak Grove	
Fairfax	Odessa	
Ferrelview	Orrick	
Ft. Leonard Wood	Otterville	
Green Ridge	Pickering	
	Platte City	
Hardin	Pleasant Hill	
Harrisonville		
Henrietta	Richland	
Holden	Rolla	
Holt	Russellville	
Hopkins		
Houstonia		

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COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION

¹Source: United Telephone Company of Missouri d/b/a Sprint General Exchange Tariff P.S.C. MO.-No. 1 Section 16, Second Revised Page 2.