

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 20th day  
of December, 2005.

In the Matter of Joint Application of PAETEC	)	
Communications, Inc., and American Long Lines,	)	<b><u>Case No. TM-2006-0210</u></b>
Inc., for Approval of Merger, Discontinuance of	)	
Service, and Cancellation of Authority.	)	

**ORDER APPROVING MERGER**

Issue Date: December 20, 2005

Effective Date: December 30, 2005

Syllabus: This order approves the application of PAETEC Communications, Inc., and American Long Lines, Inc., for authority to consummate a merger transaction and to discontinue certain operations. The order also grants Applicants a waiver of Commission rule 4 CSR 240-33.150.

**Procedural History**

On November 16, 2005, PAETEC and American Long Lines filed an application for approval of a merger, discontinuance of service, and cancellation of authority. The Applicants indicate that PAETEC and American Long Lines, which are both wholly owned subsidiaries of PAETEC Corp., propose to undergo a transaction whereby American Long Lines will be merged into PAETEC, PAETEC will provide service to all American Long Lines customers, and American Long Lines will discontinue providing service to its customers. Thus, the proposed merger and discontinuance will result in a change in service provider for American Long Lines' current customers, as these customers will become the customers of PAETEC.

The Applicants indicate that following the transaction, PAETEC will provide telecommunications services to American Long Lines' current customers pursuant to the authority granted to PAETEC by the Commission. The Applicants also state that there will be no immediate changes to the rates and services provided to American Long Lines' existing customers, and upon expiration of any service contracts with those customers, they will have the option to continue service with PAETEC pursuant to its then-current rates, terms, and conditions or other negotiated agreements, or to select service from another telecommunications service provider. The Applicants request that the Commission approve the request no later than December 21, 2005, so that the parties may consummate the proposed transaction to merge American Long Lines with PAETEC and streamline the companies' operations by the end of 2005.

On December 7, 2005, the Commission's Staff filed its Recommendation and Memorandum. Staff recommends that the Commission approve the application and direct the parties to notify the Commission when the transaction is complete so that the certificate of service authority granted to American Long Lines and any associated tariffs may be canceled.

Staff filed a supplemental statement on December 12, 2005. Staff notes that after filing its application, PAETEC filed new tariff sheets to incorporate the terms of American Long Lines' tariff so that American Long Lines' customers could continue to receive service under the same rates, terms, and conditions. The new tariff sheets were placed in Tariff File No. JX-2006-0395 and will be addressed outside of this case. The effective date of the new tariff sheets, December 31, 2005, is in keeping with PAETEC's request that the Commission approve the application and permit it to transfer customers on

December 31, 2005. Staff states that it renews its recommendation that the Commission approve the application.

## **Discussion**

### **1. General**

PAETEC is a privately held Delaware corporation with its principal offices located in Fairport, New York. PAETEC is a wholly owned subsidiary of PAETEC Corp., a privately held Delaware holding company. PAETEC is authorized to provide intrastate interexchange telecommunications services in Missouri and is classified as a competitive telecommunications company pursuant to certification granted by the Commission in Case No. TA-99-379.

American Long Lines is a Pennsylvania corporation with its headquarters in Fairport, New York. American Long Lines is also a wholly owned subsidiary of PAETEC Corp. American Long Lines is authorized to provide intrastate interexchange telecommunications services in Missouri and is classified as a competitive telecommunications company pursuant to its certification granted by the Commission in Case No. TA-97-363.

### **2. The Merger**

Both PAETEC and American Long Lines are wholly owned subsidiaries of PAETEC Corp. The Applicants state that both companies maintain separate billing systems, customer service operations, and other internal processes. In order to eliminate redundancies and inefficiencies, and to further streamline their operations, the Applicants wish to consolidate their administrative and business operations into a unified system. Thus, the Applicants propose to merge American Long Lines into PAETEC, transfer all of American Long Lines' customers to PAETEC, and discontinue American Long Lines' operations in Missouri.

The Applicants state that American Long Lines will send notice to its customers regarding the discontinuance at least 30 days prior to the transition of service to PAETEC. The Applicants request waiver of the requirements of 4 CSR 240-33.150, which requires certain verification procedures be followed before a subscriber's carrier can be changed. The Applicants state that since the transfer of customers will be in the context of a transfer of assets subject to the supervision and approval of the Commission, the goals and purposes of the rule are being upheld.

The Applicants point out that American Long Lines' customers will not receive any disruptions in service, and there will be no immediate changes to the rates and services provided to those customers. Upon the expiration of any service contracts with American Long Lines' customers, those customers will have the option to continue service with PAETEC pursuant to its then-current rates, terms, and conditions or other negotiated agreements, or to select service from another telecommunications service provider.

In its Recommendation and Memorandum, Staff noted that the Commission's rules provide that competitively classified companies are required to provide minimal information in applications to merge, consolidate, or sell or transfer assets. Staff states that based upon the limited information available to it, Staff does not believe that this transaction will be detrimental to the public interest. Staff notes that the transaction involves only competitively classified companies, and that the transaction will have no impact on tax revenues pursuant to 4 CSR 240-3.520(2)(F) and 4 CSR 240-3.525(2)(F). Staff recommends that the Commission approve the proposed transaction.

In addition, Staff states that the Applicants have provided copies of the notice given to the customers of American Long Lines. Based upon its review, Staff recommends waiver of the provisions of 4 CSR 240-33.150, the Commission's anti-slamming rule. Staff

also recommends that the Commission direct the Applicants to notify the Commission when the transfer of customers has been completed so that American Long Lines' certificate and tariff may be canceled. Staff further states that once the Commission receives that notification, it should cancel American Long Lines' certificate and tariff.

After reviewing the application and Staff's recommendation, the Commission finds that the proposed transaction is not detrimental to the public interest and should be approved. The Commission also finds that, pursuant to Commission rules 4 CSR 240-2.060(4) and 4 CSR 240-33.100, good cause exists to waive the rule. Finally, the Commission will direct the parties to promptly notify the Commission once the transaction is complete so that the certificate and tariff of American Long Lines may be canceled.

**IT IS THEREFORE ORDERED:**

1. That the joint application of PAETEC Communications, Inc., and American Long Lines, Inc., for approval of a merger transaction is approved.
2. That the request for waiver of rule 4 CSR 240-33.150 is granted.
3. That the joint applicants shall promptly notify the Commission of the completion of the merger transaction.
4. That this order shall become effective on December 30, 2005.

( S E A L )

**BY THE COMMISSION**



Colleen M. Dale  
Secretary

Davis, Chm., Murray, Gaw, Clayton,  
and Appling, CC., concur.

Ruth, Senior Regulatory Law Judge