

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of)	
Consolidated Communications Operator)	
Services, Inc. and Consolidated)	
Communications Public Services, Inc., and)	Case No. XN-2009-0196
Consolidated Communications Network)	
Services, Inc., for Approval of a Transfer of)	
Assets Related to an Internal Reorganization,)	
Name Change, and Related Approvals)	

STAFF MEMORANDUM AND RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and states:

1. On November 14, 2008, Consolidated Communications Operator Services, Inc., (CCOS) and Consolidated Communications Public Services, Inc., (CCPS) and Consolidated Communications Network Services, Inc., (CCNS) filed a joint application seeking approval of a transfer of assets, name change and other approvals.

2. The Commission has jurisdiction over this transfer under section 392.300.1, which provides that:

No telecommunications company shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of 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 are telecommunications companies as defined in section 386.020(51), certificated by the Commission as described next.

3. The Commission granted CCNS an interexchange certificate on August 22, 2003. CCOS obtained an interexchange and alternative operator services certificate on May 28, 2003. CCPS provides interexchange services, alternative operator services, and private payphone

services under a certificate granted March 22, 1996. The companies are Delaware companies with authority to do business in Missouri.

4. On November 14, 2008, the joint applicants filed tariff sheets, effective January 1, 2009, designed to effect their requests. The Commission invited intervenors and directed Staff to file a Recommendation by December 17, 2008. No intervenors applied. On December 15, 2008, the applicants filed a Motion for Leave to Amend their Application and an Amended Application with revised tariff sheets effective January 1, 2009.

5. The reorganization and transfer of assets involves a transfer of the business assets of CCOS and CCPS to CCNS. CCOS and CCPS will cease to exist. In the original application, the applicant's proposed that CCNS's corporate name would be changed to Consolidated Communications Enterprise Services, Inc, (CCES). In the Amended Application, the applicants do not seek a change of name for CCNS and the consolidated companies will operate under the CCNS name with CCNS adopting the rates and schedules of CCOS and CCPS.

6. The transfer of assets is governed by Section 392.300 and 4 CSR 240-3.520. Applicable case law provides that the Commission may "not withhold its approval of the disposition of assets unless it can be shown that such disposition is detrimental to the public interest." *State ex rel. Fee Fee Trunk Sewer, Inc. v. Litz*, 596 S.W.2d 466, 468 (Mo.App. E.D. 1980), citing to *State ex rel. City of St. Louis v. Public Serv. Comm'n of Mo.*, 73 S.W.2d 393, 400 (Mo. banc 1934).

7. Rule 33.150(4)(B), the Commission's anti-slamming rule, requires that a notice be sent to customers advising them of a change in carrier at least 30 days prior to the effective date. However, according to counsel for the applicants, CCOS and CCPS currently have no customers in the State of Missouri.

8. CCNS separately sought and received a certificate to provide private payphone services in Case No. PA-2009-0200.

9. The companies are classified as competitive under the certificates granted by the Commission and exempt from 4 CSR 240-3.520(2)(C) and (E).

10. In the attached Memorandum, the Staff summarizes its review of the transaction between the applicants, and concludes that the transfer of assets will not be detrimental to the public interest. Staff recommends that the Commission approve the transfer of assets and tariffs by January 1, 2009.

WHEREFORE, Staff recommends the Commission approve the application and tariff sheets at its earliest convenience.

Respectfully submitted,

/s/ Steven C. Reed

Steven C. Reed
Chief Litigation Counsel
Missouri Bar No. 40616

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 18th day of December, 2008.

/s/ Steven C. Reed

Memorandum

To: Missouri Public Service Commission Official Case File
Case No. XN-2009-0196, File Nos. YX-2009-0372 and YX-2009-0373

From: Lisa Mahaney, Telecommunications Department
William Voight
Utility Operations Division/Date

**Subject: Staff Recommendation for Application Seeking Commission Approval of
Competitive Company Transaction**

Date: 12/16/08

The Telecommunications Department Staff (Staff) recommends the Commission (check, as applicable):

- | | | |
|---|--|---|
| <input type="checkbox"/> Approve Merger
4 CSR 240-3.525 | <input checked="" type="checkbox"/> Approve Consolidation
4 CSR 240-3.525 | <input type="checkbox"/> Approve Sale of Assets
4 CSR 240-3.520 |
| <input type="checkbox"/> Approve Name Change
4 CSR 240-3.545(20) | | |
| <input type="checkbox"/> Cancel Certificate(s) & Tariff(s)
392.410.5 RSMo | <input checked="" type="checkbox"/> Approve Certificate(s) & Tariff(s)
4 CSR 240-3.510 | |

According to Commission rule 4 CSR 240-2.060 and the rule(s) specifically cited above, competitively classified companies are required to provide information in applications to merge, consolidate or sell/transfer assets. Based on the information provided to Staff, Staff does not believe this particular transaction will be detrimental to the public interest for the following reason(s) (check all that apply):

- This transaction solely involves competitively classified companies.
- Customers have/will receive advance notice.
- Customers can switch to another provider.
- Customers will continue to receive service at the same rates, terms and conditions.
- Other:

The following chart summarizes this transaction.

Companies Involved in Transaction	Customer Served By ("X", if applicable)		Sale of Assets ("X", if applicable)		Certificates* (If applicable, indicate "C" to cancel, "A" to approve)			Tariffs* (If applicable, indicate Tariff PSC MO Nos.)	
	Before	After	Seller	Buyer	IXC	Local	Basic Local	Cancel	Approve
Consolidated Communications Operator Services, Inc.	X								
Consolidated Communications Public Services, Inc.	X								
Consolidated Communications Network Services, Inc		X							No. 1 and No. 2

*See attachment to Staff recommendation for further details associated with approving certificates or tariffs.

Merger, Consolidation, Sell or Transfer Assets

Will affected customers be switched to a different company?

No

Yes

Customers have been notified.

Customers will be notified at least 30 days prior to being switched to a different company. (4 CSR 240-3.525)

Company Name Change Notification

Company has notified its customers of the name change.

Staff recommends the Commission order the Company to notify its customers at or before the next billing cycle of the name change and file a copy of the notice with the Commission.

Does this transaction involve a company in bankruptcy? Yes No

If yes, a copy of the bankruptcy order is attached.

Competitive Company Transaction Review Items

Administrative:

Application solely involves competitively classified companies.

No applications to intervene filed.

Noteworthy Transaction Application Requirements of 4 CSR 240-3.520 and 4 CSR 240-3.525:

Will have no impact on tax revenues pursuant to 4 CSR 240-3.520(F) or 4 CSR 240-3.525(F)

Appropriate Secretary of State authorization has been submitted for any applicant (or if previously submitted, reference to prior case number). Case No.

Missouri corporations: A Certificate of Good Standing.

Foreign corporations: Authorization to do business in Missouri.

If business conducted under a fictitious name: A copy of registration of the fictitious name.

- No pending or final judgments/decisions described in 4 CSR 240-2.060(1)(K).
- A statement that no annual report or assessment fees are overdue for any applicant.

Are there additional recommendations or special considerations?

No

Yes

If yes, explain in an attachment.

The Company is not delinquent in filing an annual report, and paying the PSC assessment, MoUSF, and Relay Missouri.

The Company is delinquent. Staff recommends the Commission grant the requested relief/action on the condition the applicant corrects the delinquency. The applicant should be instructed to make the appropriate filing in this case after it has corrected the delinquency.

(No annual report Unpaid PSC assessment. Amount owed:

Unpaid MoUSF Unpaid Relay Missouri)

Attachment to Staff Recommendation

Is this transaction requesting the granting of certificates and approval of tariffs? No Yes
(If yes, see below. Attach additional sheets, if necessary.)

Applicant:

The applicant has met Staff's review of requirements for obtaining a certificate of service authority and tariff approval. Therefore, Staff recommends the applicant be granted the following certificate(s), as indicated below. The certificate shall be conditioned to become effective on the same date the tariff becomes effective; however no later than the approval date of the transaction involving the competitively classified companies.

certificate to provide basic local exchange telecommunications services. Granting the certificate should be based on the following conditions:

1. The applicant's originating and terminating access rates will be no greater than the lowest Commission approved corresponding access rates in effect for each ILEC within whose service area the applicant seeks authority to provide service, unless authorized by the Commission pursuant to Sections 392.220 and 392.230 RSMo.
2. The certificate and service classification for switched access service is conditioned on the continued applicability of Section 392.200 RSMo, and the requirement that any increases in switched access services rates above the maximum switched access service rates set forth herein shall be made pursuant to Sections 392.220 and 392.230 RSMo, and not Sections 392.500 and 392.510 RSMo.
3. If the directly competing ILEC, in whose service area the applicant is operating, decreases its originating and/or terminating access service rates, the applicant shall file an appropriate tariff amendment to reduce its originating and/or terminating access rates in the directly competing ILEC's service area within 30 days of the directly competing ILEC's reduction of its originating and/or terminating access rates in order to maintain the cap.

certificate to provide interexchange telecommunications services.

certificate to provide local exchange telecommunications services.*

*local exchange authority should be restricted to dedicated, private line services.

No objection to tariff taking effect No. 1 and No. 2
1/1/09 Effective Date

Staff recommends the applicant and its services receive competitive classification. In addition, Staff recommends approval of the waivers normally granted to competitively classified companies (392.210.2, 392.240.1, 392.270, 392.280, 392.290, 392.300.2, 392.310, 392.320, 392.330, 392.340, 4 CSR 240-10.020, 4 CSR 240-30.040, and 4 CSR 240-3.550(5)(C) (this last rule only applies to companies providing basic local telecommunications service).

Certificate applications, if applicable:

- Statement of character of business performed.
- Application includes an affidavit.
- Applicant seeks waivers of rules or statutes previously granted to a competitively classified company.
- Applicant shows that grant of authority is in the public interest.

Additional review items for CLEC applications, if applicable:

- Possesses sufficient technical, financial and managerial resources and abilities.
- Identifies geographic area (no smaller than an exchange).
- Statement that applicant will offer basic local service as a separate and distinct service.
- Statement that applicant will give equitable access to all Missourians.

Tariff review items (applicable for all competitively classified companies):

- The tariff complies with requirements reviewed by Staff for any competitive telecommunications company tariff filing.

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Case No. XN-2009-0196
 Tariff File Nos. YX-2009-0372
 YX-2009-0373

AFFIDAVIT OF LISA MAHANEY

STATE OF MISSOURI)
) ss:
 COUNTY OF COLE)

Lisa Mahaney, employee of the Missouri Public Service Commission, being of lawful age and after being duly sworn, states that she has participated in preparing the accompanying memorandum, and that the facts therein are true and correct to the best of her knowledge and belief.

Lisa Mahaney

 LISA MAHANEY

Subscribed and affirmed before me this 16th day of December 2008



SUSAN L. SUNDERMEYER
 My Commission Expires
 September 21, 2010
 Callaway County
 Commission #06942086

Susan L. Sundermeyer

 NOTARY PUBLIC