

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the Public Service Commission of West Virginia, in the City of Charleston, on the 3rd day of April, 2002.

CASE NO. 02-0154-T-PC
MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.
Petition for consent and approval of the indirect
transfer of control of McLeodUSA Telecommunications
Services, Inc., to Forstmann Little.

COMMISSION ORDER

On February 13, 2002, McLeodUSA Telecommunications Services, Inc. (McLeodUSA), pursuant to W.Va. Code § 24-2-12, filed a petition for consent and approval of the indirect transfer of control of McLeodUSA. The petition stated that the indirect transfer of control of McLeodUSA will occur as a result of the Chapter 11 bankruptcy reorganization of its parent company, McLeodUSA Incorporated (Parent). In accordance with the Parent's reorganization, affiliates of Forstmann Little & Co. will own a total of approximately 57% of the reorganized Parent's common stock.

According to the petition, neither McLeodUSA nor any other subsidiary of the Parent has filed for bankruptcy protection and is not part of the Parent's bankruptcy proceeding.

The Petition noted that the indirect transfer of control would not involve a change in the name under which McLeodUSA currently operates or any change in the manner in which McLeodUSA currently offers service in the state of West Virginia. According to the petition McLeodUSA would continue to offer the current services with no change in rates or terms and conditions of service. The petition stated that the indirect transfer of control of McLeodUSA to Forstmann Little would be seamless and transparent to consumers in the state of West Virginia.

McLeodUSA requested expedited approval of the indirect transfer of control no later than April 5, 2002. On that date, the Parent is scheduled for a reorganization plan confirmation hearing in the United States Bankruptcy Court for the District of Delaware.

On March 22, 2002, Commission Staff filed its Final Joint Staff Memorandum. Staff recommended that the transaction be approved pursuant to W.Va. Code § 24-2-12, without specifically approving the underlying terms and conditions of the transaction.

DISCUSSION

W.Va. Code § 24-2-12 requires a person or corporation to receive permission from the Commission prior to acquiring direct or indirect control of a public utility. That section authorizes the Commission to grant its consent "upon proper showing that the terms and conditions thereof are reasonable and that neither party thereto is given an undue advantage over the other, and do not adversely affect the public in this state."

Based upon Staff's review and recommendation, the Commission finds that the proposed transaction is reasonable, that neither party is given an undue advantage over the other and that the public is not adversely affected.

W.Va. Code § 24-2-12 authorizes the Commission to determine whether a hearing is necessary prior to granting

approval of the requested transfer of control. Given that this is a request for transfer of indirect control of the utility without a change in services or rates and given the impending reorganization hearing date of April 5, 2002, the Commission finds that a hearing is not necessary in this matter.

The Commission shall approve the requested indirect transfer of control.

FINDINGS OF FACT

1. On February 13, 2002, McLeodUSA petitioned the Commission for approval of the indirect transfer of of its parent, McLeodUSA Incorporated to Forstmann Little & Co.
2. On February 22, 2002, Commission Staff filed its memorandum in this case recommending approval of the transaction without specifically approving the terms and conditions of the underlying agreement.

CONCLUSION OF LAW

The Commission concludes that is reasonable to approve the petition for indirect transfer of control as the terms and conditions thereof are reasonable and the parties thereto are not given an undue advantage over each other, and the transaction does not adversely affect the public in this State.

ORDER

IT IS THEREFORE ORDERED that the February 13, 2002 petition filed by McLeodUSA Telecommunications Services, Inc. for approval of the indirect transfer of control of McLeodUSA Telecommunications Services, Inc. to Forstmann Little & Co. is hereby granted.

IT IS FURTHER ORDERED that the Commission's approval of the above-described petition does not constitute specific approval of the terms and conditions of the transfer of control.

IT IS FURTHER ORDERED that the public notice and hearing in this matter is waived.

IT IS FURTHER ORDERED that McLeodUSA Telecommunications Services, Inc. shall not change its rates or otherwise modify any provisions of its tariff without authorization from the Commission.

IT IS FURTHER ORDERED that upon approval by the United States Bankruptcy Court for the District of Delaware of McLeod USA Incorporated's bankruptcy reorganization plan, a copy of the Order approving such plan shall be filed with the Commission's Executive Secretary to be placed in this case file.

IT IS FURTHER ORDERED that upon entry of this order, this case shall be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.