

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Joint Application of)
Integra Telecom Holdings, Inc., and) DOCKET NO. 07-2299-01
Eschelon Telecom, Inc., for Approval of a)
Transfer of Control of Eschelon Telecom,) ORDER APPROVING TRANSFER OF
Inc.) CONTROL
)

SYNOPSIS

The Commission finds the proposed transfer of control of Eschelon Telecom, Inc., to be in the public interest and approves the same.

ISSUED: May 31, 2007

By The Commission:

PROCEDURAL HISTORY

On April 5, 2007, Integra Telecom Holdings, Inc. (“Integra”) and Eschelon Telecom, Inc. (“Eschelon”) (hereinafter jointly referred to as the “Applicants”) filed a Joint Application (“Application”) pursuant to *Utah Code Ann.* §§ 54-4-28 and -29 seeking Commission approval of the acquisition by Integra of all outstanding equity interests in Eschelon, by which acquisition Integra would assume direct control of Eschelon subsidiary Eschelon Telecom of Utah, Inc. (“Eschelon-Utah”).

On April 24, 2007, the Division of Public Utilities (“Division”) filed a memorandum of its investigation of the proposed transfer recommending approval of the same.

DISCUSSION, FINDINGS, AND CONCLUSIONS

Integra is an Oregon corporation that, through its state-specific subsidiaries, provides facilities-based local telephone service, long distance calling, and high-speed Internet access to small and mid-sized businesses in Arizona, California, Idaho, Minnesota, North Dakota, Oregon, Utah, and Washington. In Utah, Integra provides service through two subsidiaries: Integra Telecom of Utah, Inc. (“Integra-Utah”) and Electric Lightwave, LLC (“Electric Lightwave”). Integra-Utah is authorized to provide competitive local exchange services pursuant to authority granted by the Commission in Docket No. 99-2299-01 on April 21, 2000, as amended in Docket No. 02-2299-01 on March 6, 2002. In Utah, Electric Lightwave is authorized to provide local exchange and other telecommunications services pursuant to authority granted by the Commission in Docket No. 94-2202-01 on August 15, 1995.

Eschelon is a corporation organized under the laws of Delaware. Founded in 1996, Eschelon, through its subsidiaries, offers small and medium sized businesses a comprehensive line of telecommunications and Internet products, including local lines, long distance, voice messaging, business telephone systems, DSL, dedicated T-1 access, network solutions, and Web hosting. Eschelon currently provides service to over 60,000 business customers in Arizona, California, Colorado, Minnesota, Montana, Oregon, Nevada, Utah, and Washington.

Eschelon-Utah is authorized to provide local exchange and other telecommunications services pursuant to Certificate of Public Convenience and Necessity No.

2263 granted by the Commission in Docket No. 01-2263-01 on October 4, 2001. Eschelon-Utah has approximately 3700 customers.

In order to consummate the proposed transaction, Applicants have entered into an Agreement and Plan of Merger (the "Agreement") dated as of March 19, 2007. The Agreement provides for a business combination, or merger, of Integra and Eschelon pursuant to which Integra will acquire 100 percent of the ownership and control of Eschelon and Eschelon will be merged into a wholly owned subsidiary of Integra.

There will be no change in the assets or direct ownership of Eschelon-Utah as a result of the merger. Eschelon-Utah currently is directly owned by Eschelon Operating Company, which in turn is directly owned by Eschelon Telecom, Inc. After consummation of the transaction, Eschelon-Utah will continue to be directly owned by Eschelon Operating Company, which will continue to be directly owned by Eschelon Telecom, Inc. Rather than affecting the direct ownership of Eschelon-Utah, therefore, the merger will effect only an indirect change in the control of Eschelon-Utah, since Integra will become the corporate parent of Eschelon. Immediately following the transaction, Eschelon will continue to operate as a separate subsidiary of Integra.

Although the proposed transaction will result in Integra owning all the stock of Eschelon, the merger will not affect the assets Eschelon-Utah currently holds or adversely affect any of the customers who receive service in connection with Eschelon-Utah's ongoing operations. Immediately following the consummation of the transaction, those customers will continue to receive service under the same rates, terms and conditions of service. For brand

uniformity and to avoid potential customer confusion, Integra intends to adopt the “doing business as” name of “Integra Telecom” for Eschelon-Utah’s operations as soon as possible after closing. Nevertheless, the acquisition of the stock of Eschelon by Integra will be seamless and virtually transparent to consumers in the State of Utah in terms of the services they receive and the prices they pay.

Applicants assert that the proposed transaction will serve the public interest as it will provide Eschelon-Utah with access to Integra’s extensive metropolitan area network in Utah, as well as its long haul network, providing customers a more robust and reliable communications network. It also will provide access to both companies’ technical and financial strengths and complementary services, which together are expected to strengthen the Applicants’ ability to expand their offerings and provide more advanced telecommunications services to a broader customer base in Utah. In addition, Eschelon-Utah’s customers will experience Integra’s decentralized customer service model, which emphasizes locally based customer care, repair, and maintenance personnel and has contributed to some of the highest customer satisfaction ratings in the industry. Applicants expect that the proposed acquisition will enable both Eschelon and Integra to continue to offer innovative products and to further strengthen their competitive positions in Utah to the benefit of Utah consumers and the State’s telecommunications marketplace. Furthermore, the transaction will be conducted in a manner that will be virtually transparent to customers of Eschelon-Utah. The acquisition of Eschelon’s stock will not result in a change of carrier for end user customers or in a transfer of authorizations. Following consummation of the proposed transaction, Eschelon-Utah, Integra-

Utah, and Electric Lightwave will continue to provide high-quality communications services to their customers without interruption and the consummation of the transaction will not result in any change in customers' rates, terms or conditions.

The Division concludes the transfer of control is in the public interest and recommends Commission approval.

Utah Administrative Code Rule 746-110-1, authorizes the Commission to adjudicate a matter informally under *Utah Code Ann.* § 63-46b-5 when the Commission "determines that the matter can reasonably be expected to be unopposed and uncontested." We note that in the weeks since filing of the Application no party has sought intervention in this matter. We therefore view this matter as unopposed and uncontested and conclude it is in the public interest to proceed informally without hearing. Pursuant to Rule 746-110-2, we conclude good cause exists to waive the 20-day tentative period for an order issued in an informally adjudicated proceeding. Accordingly, this order will become effective on the date of issuance.

Based upon the evidence submitted by Applicants, as well as the Division's recommendation, and pursuant to *Utah Code Ann.* §§ 54-4-28 and -29, we find and conclude that the proposed transfer of control will not harm and can provide benefits to the State of Utah, its citizens, and to Applicants' Utah customers and is in the public interest.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. This matter be, and it is, converted to an informal proceeding pursuant to §63-46b-4(3), UCA 1953, as amended.

DOCKET NO. 07-2299-01

-6-

2. The proposed transfer of control of Eschelon Telecom, Inc., is approved.
3. The approval granted herein is effective as of the date of this Order.

Pursuant to Utah Code §§63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the effective date of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code §§63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 31st day of May, 2007.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
GH53461