



State of Utah Department of Commerce Division of Public Utilities

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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Bill Duncan, Telecommunications / Water Manager
Ron Slusher, Utility Technical Consultant

Date: August 31, 2011

Re: In the Matter of the Joint Application of PAETEC Holding Corp., PaeTec Communications, Inc., McLeodUSA Telecommunications Services, LLC and Windstream Corporation for the Indirect Transfer of Control of PaeTec Communications, Inc. and McLeodUSA Telecommunications Services, LLC to Windstream Corporation Docket No.11-2441-01 and 11-2249-01.

RECOMMENDATION (Approve):

The Division has reviewed the joint application between PAETEC Regulated Entities and WindStream and believes that the transfer of control is in the public interest. As a result of the acquisition, the Companies should be in a better position to provide expanded and advanced telecommunications services in the State of Utah.

EXPLANATION:

On August 15, 2011, PAETEC Holding Corp. (“PAETEC”), PaeTec Communications, Inc. (“PCI”), McLeodUSA Telecommunications Services, LLC. (“McLeodUSA”), (PAETEC, PCI, and McLeodUSA together the “PAETEC Regulated Entities”) and WindStream Corporation (“WindStream”) (the PAETEC Regulated Entities, and Windstream collectively, the “Applicants”) notified the Commission of a transaction, which will result in a transfer of control of PAETEC Regulated Entities to WindStream.

Windstream Corporation is a publicly traded Delaware corporation headquartered at 4001 Rodney Parham Road, Little Rock, Arkansas 72212, (501) 748-7000. Windstream's subsidiaries provide local and long distance telephone services, data hosting services, broadband and high-speed data services and video services to customers throughout the United States. Windstream

does not itself provide telecommunications services or hold any telecommunications licenses of its own.

PAETEC is a publicly traded Delaware corporation with principal offices located at One PAETEC Plaza, 600 Willowbrook Office Park, Fairport, New York 14450. PAETEC

The PAETEC Regulated Entities hold the following authorizations in Utah:

1. PCI is authorized to provide local exchange and interexchange telecommunications services pursuant to a Certificate granted in Docket No. 04-2441-01 (March 30, 2005).
2. McLeodUSA is authorized to provide local exchange and interexchange telecommunications services pursuant to a Certificate granted in Docket No. 98-2249-01 (May 19, 1998).

PAETEC Regulated Entities and WindStream recently entered into an Agreement and Plan of Merger, as a result of the transaction, PAETEC will become the direct, wholly-owned subsidiary of Windstream. Thus, Windstream will be the new ultimate parent company of PAETEC Regulated Entities. This change in ultimate control will not involve a transfer of the operating authority, assets, or customers of the PAETEC Regulated Entities. Immediately following consummation of the transaction, PAETEC Regulated Entities will continue to offer the same services, rates, terms and conditions pursuant to their existing respective authorizations.

Windstream has shown that they have the technical, managerial, and financial qualifications to acquire control of the PAETEC Regulated Entities. Windstream's operating subsidiaries provide local and long distance telephone services, data hosting services, broadband and high-speed data services and video services to customers throughout the United States. Windstream's operations currently have approximately 3.3 million access lines and approximately \$4 billion in annual revenues.

The Applicants submit that the transaction described herein will serve the public interest. The Applicants expect that the merger will enable the combined entities to better meet the needs of enterprises, wholesale buyers, and other customers. The transaction will bring together two successful carrier organizations that have proven themselves in a highly competitive marketplace. The transaction will help create a stronger competitor by bringing together each organization's respective strengths. Operating as an integrated company will allow each of the operating companies to be more competitive and to deliver greater value and variety of services to their customers than they do individually.

The Applicants further submit that the transaction will be conducted in a manner that will be largely transparent to customers of the PAETEC Regulated Entities. The transaction will not result in a change of carrier for customers or any assignment of authorizations, and in no event will it result in the discontinuance, reduction, loss, or impairment of service to customers. Immediately following consummation of the transaction, the PAETEC Regulated Entities will continue to provide high-quality communications services to their customers without interruption and without immediate change in rates, terms or conditions.

The Division has reviewed the joint application between PAETEC Regulated Entities and WindStream and believes that the transfer of control is in the public interest. As a result of the acquisition, the Companies should be in a better position to provide expanded and advanced telecommunications services in the State of Utah.

Cc. Jean L. Kiddoo, Bingham McCutchen LLP

Brett P. Ferenchak, Bingham McCutchen LLP

William A. Haas, Corporate VP of Public Policy & Regulatory, PAETEC Holding Corp.

Kimberly K. Bennett, VP- Regulatory Counsel, Windstream Corporation

Jeanne Shearer, VP-State Government Affairs, Windstream Corporation