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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- KRISTIN K. MAYES, Chairman
- GARY PIERCE
- PAUL NEWMAN
- SANDRA D. KENNEDY
- BOB STUMP

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 AZ CORP COMMISSION
 DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

APR - 7 2010

DOCKETED BY	<i>[Signature]</i>
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IN THE MATTER OF THE APPLICATION OF
 MCLEODUSA TELECOMMUNICATIONS
 SERVICES, INC. D/B/A PAETEC BUSINESS
 SERVICES FOR A FINANCING ORDER
 AUTHORIZING VARIOUS FINANCING
 TRANSACTIONS.

DOCKET NO. T-03267A-09-0475

PROCEDURAL ORDER

BY THE COMMISSION:

On October 2, 2009, McLeodUSA Telecommunications Services, Inc., d/b/a PAETEC Business Services ("PAETEC" or "Applicant"), filed with the Commission an application for approval to pledge their Arizona assets as security for certain debt financing arrangements up to \$700,000,000, pursuant to A.R.S. § 40-285 and Arizona Administrative Code ("A.A.C.") R14-2-804 ("Application").

On January 25, 2010, the Commission's Utilities Division Staff ("Staff") filed a Staff Report recommending conditional approval of the request for the pledge of the Applicant's Arizona assets.

On February 18, 2010, the Applicant filed a Notice of Transaction and Request for Retroactive Authority ("Notice"). In its Notice, PAETEC stated that, in order to take advantage of favorable market conditions, it had closed the transaction on January 7, 2010 (the "Closed Transaction").¹ As such, PAETEC requested that the order granting the Application be retroactive to January 1, 2010. The Notice did not provide any information about the terms and conditions underlying the transaction, and as such, on March 12, 2010, a Procedural Order was filed directing Staff to "conduct any additional discovery necessary to address the information provided in the Applicant's Notice..." Staff was also directed to file a Supplemental Staff Report, including any

¹ Although the transaction closed before Staff issued its Staff Report, the Company's Notice does not indicate why it failed to notify Staff of the closing so that Staff could consider the specific terms and conditions of the transaction in Staff's original Staff Report.

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1 updated recommendations by April 13, 2010, after Staff completed the discovery.

2 On March 26, 2010, Staff filed its Supplemental Staff Report in which Staff stated, "Staff
3 concludes that the request for Retroactive Authority is reasonable. Staff also finds that no further
4 discovery is necessary in regard to this request."

5 A.R.S. § 40-301(C) states:

6 The commission shall not make any order or supplemental order granting any application
7 as provided by this article unless it finds that such issue is for lawful purposes which are
8 within the corporate powers of the applicant, are compatible with the public interest, with
9 sound financial practices, and with the proper performance by the applicant of service as
10 a public service corporation and will not impair its ability to perform that service.

11 Additionally, A.R.S. § 40-302(A) states as follows:

12 Before a public service corporation issues stocks and stock certificates, bonds, notes and
13 other evidences of indebtedness, it shall first secure from the commission an order
14 authorizing such issue and stating the amount thereof, the purposes to which the issue or
15 proceeds thereof are to be applied, and that, in the opinion of the commission, the issue is
16 reasonably necessary or appropriate for the purposes specified in the order, pursuant to
17 A.R.S. § 40-301.

18 As noted above, the Company's Notice failed to provide any information about the terms and
19 conditions of the Closed Transaction. It is not possible to issue a Decision finding that the Closed
20 Transaction meets the above-stated statutory requirements without knowledge of what are the
21 specific terms underlying that transaction.

22 IT IS THEREFORE ORDERED that the Company shall **file with Docket Control no later**
23 **than April 26, 2010**, a supplement to its Application containing the following information:

- 24 a) The amount of the financing;
- 25 b) The structure of the financing;
- 26 c) The terms of the financing, including, but not limited to, interest rate and maturity
27 dates;
- 28 d) The lender or lenders under the financing; and
- e) Any other information the Company believes necessary for the Commission to
consider in order to issue an informed Decision in this matter.

IT IS FURTHER ORDERED that, upon receipt from the Company of the supplemental
information, Staff shall review the information and make an updated finding stating whether the issue

1 is for lawful purposes which are within the corporate powers of the applicant, are compatible with the
2 public interest, with sound financial practices, and with the proper performance by the applicant of
3 service as a public service corporation and will not impair its ability to perform that service. Staff
4 shall file an **Updated Supplemental Staff Report**, including updated recommendations, if any, **no**
5 **later than May 18, 2010.**

6 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive
7 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

8 DATED this SR day of April, 2010.

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11 BELINDA A. MARTIN
ADMINISTRATIVE LAW JUDGE

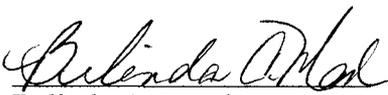
12 Copies of the foregoing mailed
this SR day of April, 2010, to:

13 Michael Patten, Esq.
14 Timothy J. Sabo, Esq.
15 ROSHKA DEWULF & PATTEN, PLC
16 One Arizona Center
4100 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

17 Tony S. Lee, Esq.
18 Grace R. Chiu, Esq.
19 VENABLE LLP
575 7th Street, N.W.
Washington, D.C. 20036

20 Janice Alward, Chief Counsel
21 Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

22 Steven M. Olea, Director
23 Utilities Division
ARIZONA CORPORATION COMMISSION
24 1200 West Washington Street
25 Phoenix, AZ 85007

26 By: 
27 Belinda A. Martin
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