Service Date: October 25, 1994

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application for Authority to Transfer Control of WILTEL, INC. to LDDS COMMUNICATIONS, INC. and for Approval of Related Transactions.	) UTILITY DIVISION)) DOCKET NO. 94.8.34) DEFAULT ORDER NO. 5807)

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ORDER APPROVING THE TRANSFER
OF CONTROL OF WILTEL, INC.
TO LDDS COMMUNICATIONS, INC.

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On August 26, 1994, the Williams Companies, Inc. (“williams”), WTG Holdings, Inc. (“WTG Holdings”), Williams Telecommunications Group, Inc. (“WTG”), WilTel, Inc. (“wilTel”) and LDDS Communications Inc. (“LDDS”) filed an application with the Montana Public Service Commission (Commission) seeking approval to transfer control of WilTel to LDDS. This transfer is part of a larger transaction wherein LDDS will purchase all shares of WTG which holds all outstanding shares of WilTel. LDDS also requested authority to increase the number of authorized shares of common stock to 500,000,000 and preferred stock to 50,000,000 and for approval of a transaction whereby LDDS and its subsidiaries will incur certain debt obligations in connection with a Credit Facility Agreement.

Williams, the corporate parent of WilTel, is a publicly traded Delaware corporation. WilTel is also a Delaware Corporation and is a wholly-owned subsidiary of WTG. WTG is a wholly-owned subsidiary of WTG Holdings, which is, in turn, wholly-owned by Williams. WilTel provides intrastate interexchange toll service in the State of Montana.

LDDS is a publicly held Georgia corporation. LDDS currently provides intrastate interexchange toll service and operator services in the State of Montana.

The Applicants sought authority from this Commission to transfer control of WilTel to LDDS. The transfer is part of a larger transaction whereby WilTel and WTG will become wholly-owned subsidiaries of LDDS.

The transaction will be implemented pursuant to the terms of a Stock Purchase Agreement entered into on August 22, 1994, between Williams and LDDS. Pursuant to the Agreement, LDDS will purchase all right, title and interest in the shares of WTG from WTG Holdings. After the purchase is consummated, WTG will become a wholly-owned subsidiary of LDDS, and WilTel, while remaining a wholly-owned subsidiary of WTG, will ultimately be owned and controlled by LDDS rather than by Williams. As consideration for its surrender of WTG’s stock, Williams will receive 2.5 billion dollars in cash.

According to the Applicants, the transfer will be undertaken in a seamless fashion that will not affect the provision of intrastate telecommunications services and thus will have no adverse affect on the telecommunications operations and services provided in Montana.

At least initially WilTel will be operated separately from LDDS' other subsidiaries. Customers will continue to be able to purchase the same high quality products and services from WilTel that they currently receive under the same rates, terms and conditions. WilTel will continue to offer service pursuant to its existing tariffs. All WilTel customers will be sent appropriate and timely notice of the acquisition.

After consummation of the transaction, WilTel will continue to be led by a team of well-qualified managers comprised of existing WilTel and LDDS personnel. The combined managerial, technical and financial expertise of the management team will enhance WilTel's ability to provide high quality service to existing and future customers in Montana.

LDDS seeks to increase its authorized number of shares of common stock to 500,000,000 and preferred stock to 50,000,000. The additional shares will provide LDDS' Board of Directors with the flexibility required to issue shares as needed for corporate purposes. Uses of the additional authorized shares could include: 1) issuance in connection with future acquisitions; 2) the payment of stock dividends or issuance pursuant to stock splits; 3) issuance in connection with an offering to raise capital; and 4) issuance of common stock upon exercise of options granted under LDDS' various stock option plans.

LDDS seeks to obtain $3,250,000,000 of senior bank facilities ("Credit Facility") consisting of a $2,000,000,000 reducing revolving credit facility ("Facility A") and a $1,250,000,000 term facility

("Facility B"). The purpose of the Credit Facility is to finance the acquisition of the stock of WilTel, refinance existing indebtedness, finance capital expenditures and to provide working capital for the company including permitted standby letters of credit and acquisitions. The Credit Facility will be managed by NationsBank of Texas, N.A. and up to six banks will participate.
Facility A is for a six year term and Facility B is for a two year term. The Applicants anticipate funding the agreement by December 31, 1994. Most of LDDS' subsidiaries will guarantee the agreement.

The Applicants state that the proposed transfer is in the public interest because it will enable the combined firms to operate more efficiently, introduce new products and continue to expand operations, thereby offering new and better services to their customers in Montana. There are synergies between the two companies: WilTel owns and operates a nationwide fiber optic transmission network. By contrast, LDDS owns and operates regional transmission networks.

By combining their operations, both WilTel and LDDS will be able to operate more efficiently. By combining their traffic on the WilTel network, they will achieve significant economies of scale. Similarly, by combining their product lines and capabilities, both companies can realize significant economies of scale. Therefore, the proposed transfer would enable both companies to significantly reduce their costs of operation and introduce services that are attractive to all portions of the interexchange market C small, medium and large users alike. This will directly benefit existing and future customers of LDDS and WilTel, and will benefit other telecommunications consumers indirectly by strengthening competition in the interexchange industry generally.

Analysis

The Commission finds, based on the application, that the proposed transfer is in the public interest, and therefore, should be approved. The transfer of WilTel to LDDS will result in a combined company that will enjoy significant economies of scale which will ultimately reduce operating costs. As to the request of the applicants for approval of the request to increase the number of common shares, the number of preferred shares and to incur debt, the Commission is without authority. Under Montana statutes the Commission has authority over the issuance of securities by electric and gas utilities, but does not exercise authority over the issuance of securities by telecommunications companies. As a result, the Commission has no authority over the proposed security issuances contained in this application.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the sale or transfer of public utilities which provide intrastate “regulated telecommunications services” as defined in § 69-3-803(3), MCA.[1]

[1] Montana PSC jurisdiction over the operations of LDDS is currently being considered in Docket No. 94.2.8. This Order is being issued without prejudice to the PSC’s investigation and analysis in that Docket.

2. The Commission has jurisdiction over all utility activities which impact a utility's duty to render “reasonably adequate service and facilities” at “reasonable” and “just” rates. §69-3-201, MCA.

ORDER

1. Effective immediately, the proposed transfer of WilTel to LDDS is approved.

2. Approval of the proposed transfer does not constitute determination or approval of any ratemaking issues. Further, this Order does not in any way affect determinations which may be made in Docket No. 94.2.8.

Done and dated this 24th day of October, 1994, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ANDERSON, Chairman

BOB ROWE, Vice Chairman

DAVE FISHER, Commissioner

NANCY McCAFFREE, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.