

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 29th day of April, 1998.

In the Matter of the Joint Application of)
PSP Marketing Group, Inc. d/b/a I.T. GROUP)
Communications Company and DeltaCom, Inc.) Case No. TM-98-417
d/b/a DeltaCom Long Distance Services for)
Approval of a Transfer of Assets.)

ORDER APPROVING SALE OF ASSETS

On April 1, 1998, PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company (PSP) and DeltaCom, Inc. d/b/a DeltaCom Long Distance Services (DeltaCom) filed a joint application pursuant to Section 392.300, RSMo 1994, seeking Commission approval for a sale of assets from PSP to DeltaCom. PSP and DeltaCom (Applicants) stated that they have entered into an agreement whereby DeltaCom will acquire substantially all of the assets of PSP, including PSP's customer base and certificate of service authority, if the Commission approves the transaction.

Applicants simultaneously filed a motion for expedited approval, requesting an order approving the transaction with an effective date of April 30 or earlier, because they have scheduled a closing date of April 30. Applicants waived the traditional ten day effective date between the issue date and the effective date of any such order, and requested that the order be made effective on the date issued. No party filed a response to Applicants' motion.

PSP is a Mississippi corporation with its principal offices located at 2829 Lakeland Drive, Suite 1110, Jackson, Mississippi 39208. The Commission granted PSP a certificate of service authority to provide intrastate, interexchange telecommunications services in Case No. TA-94-247 on April 19, 1994, and approved PSP's tariff on May 24, 1994. DeltaCom is an Alabama corporation with its principal place of business at 1241 O.G. Skinner Drive, West Point, Georgia 31833. The Commission granted DeltaCom a certificate of service authority to provide intrastate, interexchange telecommunications services on January 28, 1997, in Case No. TA-97-216.

According to the Applicants, the proposed transaction would be funded by the issuance of common stock of ITC^DeltaCom, Inc. (ITC) to PSP's shareholders contemporaneously with the transfer of PSP's assets to DeltaCom. ITC is DeltaCom's first tier holding company whose stock is publicly traded on the NASDAQ National Market. The Applicants state that the asset transfer will not in any way disrupt service or cause inconvenience or confusion to the Applicant's customers, and will be virtually seamless to customers in terms of the services they receive. Upon consummation of the transaction, DeltaCom would be the certificate holder and would adopt PSP's tariffs. DeltaCom would hold PSP's certificate and provide service to Missouri customers under the DeltaCom name. PSP would cease doing business in Missouri upon completion of the transaction. The Applicants represent that notice of the transfer of assets would be provided to PSP's Missouri customers upon approval by the Commission. Applicants also represented that the transfer would have no impact on the tax revenues of any political subdivision in the state of Missouri, and that DeltaCom has no pending or final decisions or judgments

against it from any state or federal agency involving its rates or its service to customers.

The Staff of the Commission (Staff) filed a Memorandum on April 28, 1998, recommending approval of the sale of assets. Staff stated that the proposed transfer of assets is in the public interest because operating efficiencies would be gained through DeltaCom's ability to take advantage of increased economies of scale.

However, Staff recommended that the Commission deny the Applicants' request to allow DeltaCom to adopt PSP's tariff. Staff stated that if DeltaCom were permitted to adopt PSP's tariff without operating under the PSP name, as proposed, the end result would be a situation where DeltaCom would have two tariffs numbered PSC MO No. 1 under the same name, but offering different rates for the same services. Staff asserted that this would cause customer confusion, administrative problems for the Commission, and possible discrimination. Staff stated that DeltaCom has advised the Staff that its intent is to eventually serve all customers from one tariff.

Staff recommended that DeltaCom be ordered to transfer the former PSP customers to DeltaCom's tariffed services within 90 days of the effective date of the Commission's order and that DeltaCom not be permitted to adopt PSP's tariffs. Staff further recommended that DeltaCom be ordered to file any necessary changes to its tariff and notify the Commission of any rate changes and the customers of any proposed rate increases. Staff also recommended that PSP's certificate of service authority and tariffs be canceled 90 days after the effective date of the Commission's order approving the transfer of assets.

Upon review of the verified application and Staff's recommendation, the Commission finds that the proposed transaction will allow DeltaCom to generate economies of scale and therefore operate more efficiently, which in turn will invigorate competition in the intrastate long-distance market. Thus, the Commission finds that the proposed transaction is not detrimental to the public interest and should be approved.

The Commission also finds that it should deny Applicants' request to have DeltaCom adopt PSP's tariff, for the reasons articulated by Staff. The Commission will instead require Applicants, upon completion of the transaction, to notify PSP's customers of the transfer of assets and of DeltaCom's intent to serve them under DeltaCom's existing tariff prior to migrating these customers to DeltaCom's tariffed rates and products. Such notice shall identify any increase or decrease in rates, and any change in service, that the PSP customers will experience as a result of the migration and shall clarify that service will continue under PSP's tariffed rates and products for up to ninety days following the effective date of the effective date of this order. Following the notice, the Applicants shall transfer the PSP customers from service under PSP's tariff and name to service under DeltaCom's tariff and name within ninety days after this order takes effect. During the transition period, Applicants shall identify both PSP and DeltaCom on all of the PSP customers' bills. PSP's certificate and tariff shall be canceled effective 90 days after the effective date of this order.

The Commission further finds that Applicants' motion to expedite should be granted. The Applicants stated that they intend to close the transaction, if possible, by April 30, and no party opposed the motion.

IT IS THEREFORE ORDERED:

1. That the sale of assets proposed by PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company and DeltaCom, Inc. d/b/a DeltaCom Long Distance Services is approved.

2. That PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company and DeltaCom, Inc. d/b/a DeltaCom Long Distance Services are authorized to take any and all actions necessary to effectuate the asset sale transaction contemplated by their application as approved in this order.

3. That PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company or DeltaCom, Inc. d/b/a DeltaCom Long Distance Services shall file a pleading with the Commission notifying the Commission of the closing date of the asset sale transaction within ten days after the completion of the transaction.

4. That PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company and DeltaCom, Inc. d/b/a DeltaCom Long Distance Services shall transfer all of the former customers of PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company to DeltaCom, Inc. d/b/a DeltaCom Long Distance Services' tariffed services no later than July 29, 1998.

5. That within ten days after completion of the transaction, PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company and DeltaCom, Inc. d/b/a DeltaCom Long Distance Services shall notify the existing customers of PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company about the transfer of assets and that they will be served under the tariffed rates and products of DeltaCom, Inc. d/b/a DeltaCom Long Distance Services unless they choose another intrastate, interexchange carrier.

6. That the notice required under Ordered paragraph 5 shall identify any increase or decrease in rates, and any change in service, that the recipients will experience as a result of the migration and shall clarify that service may continue under the tariffed rates and products of PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company until July 29, 1998.

7. That during the transition period, PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company and DeltaCom, Inc. d/b/a DeltaCom Long Distance Services shall identify both companies on all of bills sent to the current customers of PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company.

8. That the certificate and tariff of PSP Marketing Group, Inc. d/b/a I.T. GROUP Communications Company shall be canceled effective July 29, 1998.

9. That this order shall be effective on April 30, 1998.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton and
Schemenauer, CC., concur.
Drainer and Murray, CC.,
absent.

Randles, Regulatory Law Judge

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COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION