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October 28, 2004

RECEIVED

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**PUBLIC SERVICE
COMMISSION**

VIA UPS

Ms. Stephanie Bell
Secretary of the Commission
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, KY 40602-0615

Re: Informational Filing Regarding a Change in Ownership of Advanced
TelCom, Inc. and Shared Communications Services, Inc.

Dear Ms. Bell:

Advanced TelCom, Inc. ("ATI"), Shared Communications Services, Inc. ("SCS") and Eschelon Telecom, Inc. ("ETI") (collectively, the "Parties"), through their undersigned counsel and pursuant to the exemptions set forth in Administrative Case Nos. 359 and 370 hereby respectfully notify the Public Service Commission ("Commission") of a proposed transaction involving the transfer of ultimate control of ATI and SCS to ETI. Pursuant to the terms of a Stock Purchase Agreement ("Agreement") dated October 13, 2004, as described in more detail below, ETI intends to purchase all of the issued and outstanding shares of common stock of ATI, and thus SCS, from ATI's parent company, Advanced TelCom Group, Inc. ("ATGI"), and immediately transfer the shares to ETI's subsidiary, Eschelon Operating Company (the "Transaction"). Upon completion of the Transaction, ETI will be the new ultimate parent company of ATI and SCS.

This change in control does not involve a transfer of operating authority and therefore will not affect the identity of the utilities providing service in Kentucky, ATI and SCS, or the services, rates, terms and conditions under which services currently are being provided in Kentucky. Accordingly, the contemplated Transaction will be generally transparent to customers.

The only change is that ATI, and thus SCS, will be owned and controlled by ETI, rather than ATGI. The Parties understand that prior Commission approval of the Transaction is not required. The Parties therefore submit this letter for the Commission's information only.

The Parties.

Advanced TelCom, Inc. and Shared Communications Services, Inc. In mid-2003, General Electric Company ("GE") acquired ATGI and its two subsidiary telecommunications carriers, ATI and SCS. ATI is a direct, wholly owned subsidiary of ATGI, a holding company, which is a direct, wholly owned subsidiary of VFS Financing Inc. SCS is a direct, wholly owned subsidiary of ATI. The ultimate parent company of all these entities is GE. ATI currently provides facilities-based and resold interexchange and local exchange telecommunications services to customers primarily in California, Nevada, Oregon and Washington, and also provides interexchange services to a small number of customers in several other states, including Kentucky. ATI holds Section 214 authorizations from the Federal Communications Commission to provide domestic and international facilities-based and resold telecommunications services. SCS currently provides resold local exchange and interexchange telecommunications services to customers in Nevada, Oregon and Washington, and also provides resold interexchange telecommunications services to customers in approximately 20 other states, including Kentucky.¹ SCS also holds Section 214 authorizations from the Federal Communications Commission to provide domestic and international resold telecommunications services. GE has another operating subsidiary, GE Business Productivity Solutions, Inc. ("GEBPS"), which is authorized to provide resold long distance telecommunications services virtually nationwide, including in Kentucky.²

Eschelon Telecom, Inc. ETI, a Delaware corporation, is located at 730 2nd Avenue South, Suite 900, Minneapolis, Minnesota 55402, (612) 376-4400 (telephone), (612) 436-6816 (facsimile). ETI's direct, wholly owned subsidiary is Eschelon Operating Company ("OPCO"), a Minnesota corporation. OPCO has several direct, wholly owned subsidiaries that offer telecommunications services in various states.³ ETI and its subsidiaries, collectively "Eschelon", all headquartered at the above address, provide voice, data, Internet services and business

¹ See Docket No. 64-1636 (January 15, 2004).

² See Docket No. 62-1549 (December 11, 2001). The ownership and control of GEBPS is not the subject of the instant notification. However, simultaneously with the signing of the Agreement, ETI and GEBPS signed an Asset Purchase Agreement ("Asset Purchase Agreement") whereby ETI will acquire substantially all of the assets of GEBPS, including the GEBPS customers, which will be transferred to a newly created subsidiary of ETI, Business Productivity Solutions, Inc. Thus, upon closing of the Asset Purchase Agreement, GEBPS will no longer be offering service in Kentucky. This transaction is the subject of a separate application to be filed with the Commission.

³ Eschelon Telecom of Minnesota, Inc., Eschelon Telecom of Washington, Inc., Eschelon Telecom of Colorado, Inc., Eschelon Telecom of Nevada, Inc., Eschelon Telecom of Arizona, Inc., Eschelon Telecom of Utah, Inc. and Eschelon Telecom of Oregon, Inc.

telephone systems to over 38,000 customers and have over 225,000 access lines⁴ in service. Eschelon provides local and long distance facilities-based service in 12 markets in 7 states.

As noted above, in footnote 2, a newly created subsidiary of OPCO, Business Productivity Solutions, Inc. ("BPS"), will acquire substantially all of GEBPS's assets and customers. Thus, ETI will be the ultimate parent company for various subsidiaries operating virtually nationwide after consummation of the transactions contemplated by the Agreement and the Asset Purchase Agreement. As one of the fastest growing telecommunications companies in the nation, Eschelon has the financial, managerial and technical qualifications needed to assume ownership and control of ATI and SCS in Kentucky, as described further below.

An organizational chart showing the corporate structure of Eschelon upon completion of the Transaction is appended hereto as *Exhibit A*.

Designated Contacts. The designated contact for this Notification is:

Karly E. Baraga
KELLEY DRYE & WARREN LLP
1200 19th Street, N.W., Fifth Floor
Washington, D.C. 20036
(202) 955-9600 (telephone)
(202) 955-9792 (facsimile)

with copies to:

Victor A. Allums
Meredith H. Gifford
ADVANCED TELCOM GROUP, INC.
3225 Cumberland Boulevard, Suite 920
Atlanta, Georgia 30339
(770) 541-5781 (Victor Allums telephone)
(770) 541-5782 (Meredith Gifford telephone)
(770) 541-5703 (facsimile)

J. Jeffery Oxley
ESCHELON TELECOM, INC.
730 2nd Avenue, South, Suite 900
Minneapolis, MN 55402
(612) 436-6692 (telephone)
(612) 436-6792 (facsimile)

⁴ Eschelon defines "access lines" as 64kbps channels. Consequently, for example, a T-1 line will be counted as multiple access lines depending upon the number of 64kbps channels established on the circuit.

The Transaction. On October 13, 2004, ETI and ATGI signed the Agreement providing for ETI's acquisition of all of the issued and outstanding shares of common stock (the "Shares") of ATI from ATGI. Immediately after closing under the Agreement, ETI will transfer the Shares to its subsidiary, OPCO. Thus, following completion of the Transaction, SCS will continue to be wholly owned by ATI, which will be wholly owned by OPCO, which will continue to be wholly owned by ETI.

The proposed Transaction will be generally transparent to customers of ATI and SCS in Kentucky. In particular, because the Transaction is a stock transaction, the transfer of control of ATGI's operating subsidiaries will not result in a change of carrier for any of the ATI and SCS customers in Kentucky. Immediately after completion of the Transaction, ATI and SCS will continue to provide the same services at the same rates, terms and conditions as at present and any future changes in the rates, terms and conditions of service will be made consistent with Commission requirements. The Transaction is not expected to result in any discontinuance of service for the ATI and SCS customers. Furthermore, in addition to having access to ETI's experienced and high-quality management team, the operations of ATI and SCS in numerous instances will continue to be supervised by the same management, technical and customer service personnel that currently oversee those operations.

Even though their service provider is not changing and the Transaction will be invisible to them, to ensure that there is no customer confusion and to make ATI and SCS customers in Kentucky aware of the Transaction, the Parties will give customers notice of the Transaction explaining that their service provider is undergoing a change in ultimate ownership. A copy of the notification letter that will be sent to the affected customers is appended hereto as *Exhibit B*.

Qualifications of Eschelon. The Parties are hereby notifying the Commission of the proposed transfer of ultimate control of ATI, and indirectly of SCS, to ETI, which will acquire all of the Shares of ATI, and, thus, SCS, and transfer the Shares to its subsidiary, OPCO. As noted above, Eschelon currently provides telecommunications services in 7 states, including in Kentucky, and is poised to expand its operations into other states. Several state commissions have already determined that Eschelon is well-qualified to provide telecommunications services. ETI has the requisite financial, managerial, and technical competence to provide backing for the provision of telecommunications service in Kentucky by ATI and SCS.

ATI and SCS will now be backed by ETI and have access to the financing and capital necessary to conduct their telecommunications operations and to fulfill any obligations they may undertake with respect to the operation and maintenance of their services. ETI has the requisite technical and managerial qualifications to support the provision of telecommunications services by ATI and SCS in Kentucky. As noted above, Eschelon already is authorized to provide telecommunications services in 7 states, including Kentucky, provides voice, data, Internet services and business telephone systems to over 38,000 customers and has over 225,000 access lines in service. Eschelon has successfully provided a host of local and long distance telecommunications services over the past several years. Eschelon operates a reliable and

diverse voice and data network using proven technology by leading manufacturers which includes: transport diversity to ensure the highest level of network reliability; local and centralized technical resources; and 24 by 7 network monitoring. Both sales and service personnel are trained professionals. For customer inquiries, the toll-free customer service number for ATI and SCS customers will continue to be 1-800-285-6100 after consummation of the Transaction. Eschelon has an experienced management team with more than 100 years of combined telecommunications experience. Collectively, members of Eschelon's management team have designed, managed, and/or operated advanced telecommunications facilities throughout the United States.

Public Interest Considerations. The Parties respectfully submit that the Transaction serves the public interest. After consummation of the Transaction, ATI and SCS will continue to operate under their same names and operating authorities as at present. The Transaction involves no change in the entities providing service to customers, the facilities used to provide such service or the services, rates, terms and conditions of such service. All existing tariffs will remain in place. The transfer of control will be transparent to customers and will not have any adverse impact on them; they will continue to use the same number to reach customer service. The only change will be in the ultimate ownership of the companies.⁵

The Parties expect that the Transaction will increase competition in the Kentucky telecommunications market by strengthening Eschelon's position as an effective and multifaceted telecommunications carrier. The Transaction will allow Eschelon to combine its financial, technical and market resources and expertise with that of ATI and SCS, thereby enhancing its ability to provide reliable, competitively priced services to customers in Kentucky. Eschelon will be able to expand its product offerings by adding the offerings of ATI and SCS to its current offerings. Eschelon also anticipates achieving significant cost reductions which will permit Eschelon and ATI/SCS to price more competitively. Through its increase in aggregate purchasing power, Eschelon expects to be able to negotiate more favorable terms with many of its vendors. Eschelon expects additional cost reductions to arise from the enhanced utilization of its back office support systems and operations.

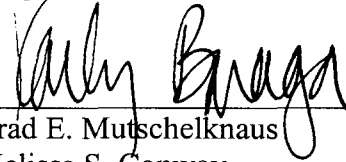
Both Eschelon and ATI/SCS have created strong customer service organizations that provide high levels of customer satisfaction as demonstrated by their low customer churn rates. Both organizations share similar technology platforms and both focus their products and marketing efforts on the same customer class – small to medium sized business customers. In an era of increasing telecommunications products and services, these customers require expert assistance to find the best solution for their telecommunications and internet access

⁵ The contemplated transfer of control does not raise any slamming concerns or necessitate compliance with FCC or state procedures to notify customers prior to a carrier-to-carrier sale or transfer of a subscriber base as the contemplated transaction does not involve any change in a customer's existing service provider. ATI and SCS customers will remain with those companies and will continue to be served under their existing authorizations and tariffs. Nevertheless, as noted above, the Parties will be notifying the customers of the Transaction in the interest of full disclosure.

requirements. Both organizations use a direct sales force model in which trained sales and sales support personnel visit the customer premise, assess the requirements, and suggest a specifically tailored product and service offering. The similarity of business models between Eschelon and ATI/SCS means that integrating their operations will not occasion significant changes in what either company does and thus the Transaction poses little risk to customers.

As noted above, the Parties do not believe that Commission approval of the Transaction is required. Should the Commission determine otherwise, the Parties respectfully request that the Commission notify them as soon as possible as the Parties intend to consummate the Transaction on or about *December 31, 2004*. Enclosed please find ten copies of this filing, a duplicate and a self-addressed, postage-paid envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided. Should the Commission have any questions, please contact Karly Baraga at (202) 955-9869.

Respectfully submitted,



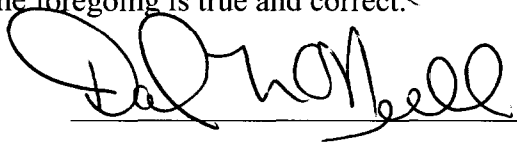
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Counsel for Eschelon Telecom, Inc.,
Advanced TelCom, Inc. and Shared
Communications Services, Inc.


VERIFICATION

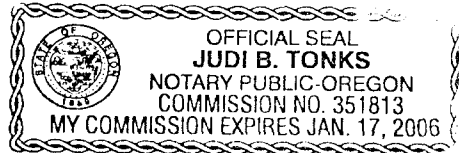
I, David M. O'Neill, am President of Advanced TelCom, Inc. and am authorized to represent it and its subsidiary and to make this verification on their behalf. The statements in the foregoing document relating to this company and its subsidiary, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.



Subscribed and sworn to before me this 15 day of
October 2004.


Notary Public



My Commission expires: 1-17-2006

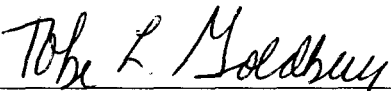
VERIFICATION

I, Jeffery Oxley, am Executive Vice President of Law and Policy of Eschelon Telecom, Inc. and am authorized to represent it and its subsidiaries, including Business Productivity Solutions, Inc., and to make this verification on their behalf. The statements in the foregoing document relating to this company and its subsidiaries, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.



Subscribed and sworn to before me this 14th day of
October 2004.



Notary Public

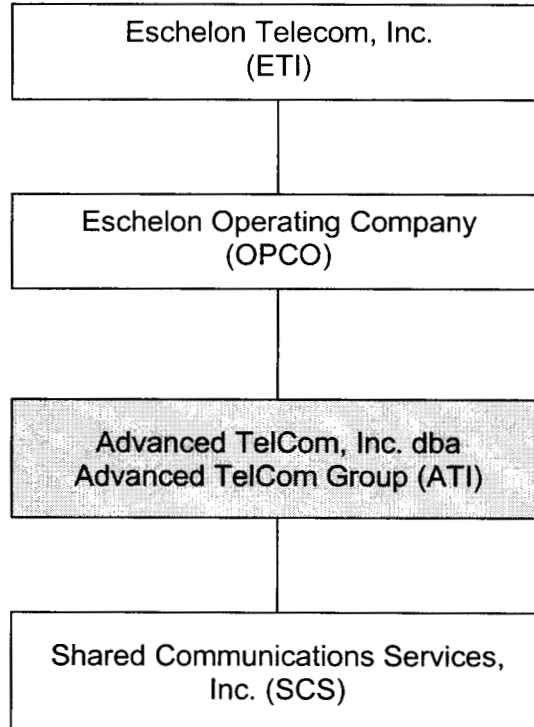


My Commission expires: 1/31/05

EXHIBIT A

Corporate Organizational Chart of Eschelon Post Transaction

CORPORATE OWNERSHIP STRUCTURE OF ESCHELON AFTER THE TRANSACTION*



* Each entity shown is 100% owned by the entity immediately above it. The shaded entities are the entities authorized to provide telecommunications services in Kentucky.

EXHIBIT B

Customer Notice



AdvancedTelCom

October 20, 2004

Dear Advanced TelCom, Inc. and Shared Communications Services, Inc. Customers:

We are writing to share with you an exciting announcement regarding your Advanced TelCom, Inc. and Shared Communications Services, Inc. (together, "Advanced TelCom") telecommunications services.

Recently, Advanced TelCom Group, Inc. (parent company of Advanced TelCom) and Eschelon Telecom, Inc. ("Eschelon") signed a definitive agreement whereby Eschelon will acquire Advanced TelCom. The transaction is expected to be finalized by year-end and is subject to customary regulatory approvals.

Eschelon is an integrated communications provider of voice, data, internet services and business telephone systems, and serves over 38,000 customers in seven states. Eschelon is one of the fastest growing telecommunications companies in the nation, and is a leader in the industry on customer satisfaction and retention metrics.

By bringing Advanced TelCom and Eschelon together, we will create a premier regional telecommunications provider serving California, Oregon, Washington and Nevada. This combination will offer a wider range of expertise and resources, and offer the most complete line of innovative, high-quality, cost-effective products and services available on the market today. In addition, you will continue to be supported by a team of highly-trained associates who will provide best-in-class customer service. Best of all, Eschelon's financial strength and leading market presence will position the combined company for a successful future in the highly competitive telecommunications industry.

What are the next steps?

There is no need for you to do anything. Both before and after the transaction is completed, you will receive the same services at the same rates, terms and conditions as you do today from the same service provider. All existing customer contracts will be honored and supported. We are confident that you will continue to be satisfied with our quality services, and that you will continue to receive the same high level of customer service and support that you have come to expect from us. As we get closer to completing this transaction, we will provide you with additional details regarding any planned changes in billing statement design, remittance addresses and customer contact information.

Thank you for the opportunity to serve you. We look forward to continuing to serve your telecommunications and data needs. If you have any questions or concerns regarding this transaction please contact Advanced TelCom's customer service department at **1-800-285-6100**.

Thank you,

David M. O'Neill
President, Advanced TelCom