

ORIGINAL
OPEN MEETING



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MEMORANDUM
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TO: THE COMMISSION 2005 NOV 17 A 9:15
FROM: Utilities Division AZ CORP COMMISSION
DATE: November 17, 2005 DOCUMENT CONTROL
RE: IN THE MATTER OF THE APPLICATION OF MCI, INC. TO TRANSFER
THE ASSETS OF MCI NETWORK SERVICES, INC. TO MCI
COMMUNICATIONS SERVICES, INC. (DOCKET NO. T-02431A-05-0683
AND T-03394A-05-0683)

Introduction

On September 28, 2005, MCI, Inc. ("MCI") filed an application for expedited approval to transfer certain MCI Network Services assets to MCI Communications Services, Inc ("MCI Communications").

On October 3, 2005, MCI filed a supplement to its September 28, 2005 application for expedited approval to transfer certain MCI Network Services assets to MCI Communications. The supplement was filed at the request of the Arizona Corporation Commission ("ACC") Docket Control to demonstrate MCI WorldCom Communications, Inc.'s name has been changed to MCI Communications Services, Inc. and that MCI WorldCom Network Services, Inc.'s name has been changed to MCI Network Services, Inc.

On October 19, 2005, MCI filed a second supplement to its September 28, 2005 application for expedited approval to transfer certain MCI Network Services assets to MCI Communications. The second supplement correctly filed the conformed, stamped copy of the application MCI should have filed with the October 3, 2005 supplement.

MCI is a corporation created and existing under the laws of the State of Delaware, with its principal office located at 22001 Loudoun County Parkway, Ashburn, Virginia 20147. Through various operating subsidiaries, including MCI Network Services and MCI Communications Services, MCI provides international and domestic interstate, intrastate and local telecommunications services. MCI is the parent company of various operating subsidiaries and offers no services directly to the public and holds no certificates of public convenience and necessity issued by the Commission. Additional information about MCI, Inc. is available at www.mci.com.

MCI Network Services, Inc. is a Delaware corporation with its principal office located at 22001 Loudoun County Parkway, Ashburn, Virginia 20147. (MCI Network Services is a certificated interexchange carrier in Arizona pursuant to Decision Nos. 54507 and 59446). MCI Network Services provides wholesale long distance telephone, data and Internet services to other carriers. MCI Network Services owns facilities used to provide non-local services. MCI, Inc. is the ultimate parent of MCI Network Services.

MCI Communications Services, Inc. is a Delaware corporation with its principal office located at 22001 Loudoun County Parkway, Ashburn, Virginia 20147 (MCI Communications Services is a certificated interexchange carrier and provider of operator services in Arizona pursuant to Decision Nos. 59629 and 59802). MCI Communications Services is MCI's primary entity for U.S. based sales contracts. It holds MCI's customer contracts for commercial, wholesale, consumer, and the public sector and leases various facilities. It also provides long distance services to MCI's retail consumer and business customer base in all 50 states and the District of Columbia. MCI, Inc. is the ultimate parent of MCI Communications Services.

The Company's Request

MCI states that this transaction is an essential aspect of MCI's plans to streamline its corporate structure and allow it to operate in a more efficient manner. The transaction will result in MCI Network Services' assets, facilities and wholesale customer contracts involving long distance telephone, data and Internet services, being transferred to MCI Communications Services.

The transfer of MCI Network Services' assets to MCI Communications Services should not impact service since MCI Network Services has no retail customers. All customers served by MCI Network Services' facilities and pursuant to contract with MCI Network Services will be served by MCI Communications Services after the transfer of assets.

MCI Communications Services has all authority necessary to provide the services currently provided by MCI Network Services. No new authority is being requested. MCI, Inc., the ultimate parent of both companies, will retain control of both subsidiaries. There is no change of ownership of Certificate of Convenience & Necessity ("CC&N"). MCI Network Services is retaining its CC&Ns and is not asking for the cancellation of authority at this time.

MCI states that this transfer of assets and non-retail customers will not adversely affect the provision of services in Arizona. Wholesale customers will receive the same services at the same high quality from MCI Communications Services that they currently receive from MCI Network Services. No changes will be made to the rates, terms and conditions or service offerings. All branding will still remain MCI, making the transfer of assets transparent to all customers.

Denial or delay of this application will not have a direct impact on MCI's operating plans, however, MCI states that it will be unable to comply with tax filing obligations for about 20 states, of which Arizona is not one. In Arizona, MCI files a consolidated return. In these other 20 states, MCI is required to file separate returns. Without completion of this paper transaction, MCI will have an additional regulated entity that will have to file separate tax returns.

Staff's Analysis and Conclusions

MCI Network Services did not report any business or residence local exchange lines in its 2004 Annual Report, therefore, the transfer of assets from MCI Network Services to MCI Communications Services should not present any harm to retail customers.

MCI Network Services did not report any business or residence local exchange lines in its 2004 Annual Report, therefore, the transfer of assets from MCI Network Services to MCI Communications Services should not impact facilities used for local exchange competition.

MCI Network Services will not acquire additional customers following this transaction. This transaction should be transparent to existing customers except for a notice letter that will be sent.

The transfer of assets reported by MCI Network Services in its 2004 Annual Report to the Commission is substantial, comprising several million dollars in net book value; however, the transfer should not result in increased costs to Arizona customers.

None of the actions or steps involved in this transaction should result in increased costs or service impacts to customers in the receiving company, Communications Services.

MCI Network Services and MCI Communications Services have been found to be in compliance and in good standing by the Compliance and Consumer Services Sections of the Commission.

Staff's Recommendations

This transaction will leave MCI Network Services with no Arizona customers. Also, MCI Network Services has stated that it does not intend to seek additional customers in the future. Therefore, Staff believes that it is no longer necessary for MCI Network Services to maintain a CC&N to provide service. Staff recommends that as a condition for approval of this application, MCI Network Services should be required to file an application to cancel its CC&N within sixty (60) days of a decision in this matter.

THE COMMISSION

November 17, 2005

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Staff recommends that MCI's application to transfer the assets of MCI Network Services, Inc. to MCI Communications Services, Inc. be approved with the above condition.



Ernest G. Johnson
Director
Utilities Division

for
EGJ:AFF:red/KL

ORIGINATOR: Armando F. Fimbres

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BEFORE THE ARIZONA CORPORATION COMMISSION

- JEFF HATCH-MILLER
Chairman
- WILLIAM A. MUNDELL
Commissioner
- MARC SPITZER
Commissioner
- MIKE GLEASON
Commissioner
- KRISTIN K. MAYES
Commissioner

IN THE MATTER OF THE APPLICATION OF MCI, INC. TO TRANSFER THE ASSETS OF MCI NETWORK SERVICES, INC. TO <u>MCI COMMUNICATIONS SERVICES, INC.</u>	}	DOCKET NO. T-02431A-05-0683
		T-03394A-05-0683
		DECISION NO. _____
		<u>ORDER</u>

Open Meeting
December 6 and 7, 2005
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On September 28, 2005, MCI, Inc. ("MCI") filed an application for expedited approval to transfer certain MCI Network Services assets to MCI Communications Services, Inc.
2. On October 3, 2005, MCI filed a supplement to its September 28, 2005 application for expedited approval to transfer certain MCI Network Services assets to MCI Communications. The supplement was filed at the request of the Arizona Corporation Commission ("ACC" or "Commission") Docket Control to demonstrate MCI WorldCom Communications, Inc.'s name has been changed to MCI Communications Services, Inc. ("MCI Communications Services") and that MCI WorldCom Network Services, Inc.'s name has been changed to MCI Network Services, Inc. ("MCI Network Services").
3. On October 19, 2005, MCI filed a second supplement to its September 28, 2005 application for expedited approval to transfer certain MCI Network Services assets to MCI Communications Services. The second supplement correctly filed the conformed, stamped copy of the application MCI should have filed with the October 3, 2005 supplement.
- ...

1 4. MCI is a corporation created and existing under the laws of the State of Delaware,
2 with its principal office located at 22001 Loudoun County Parkway, Ashburn, Virginia 20147.
3 Through various operating subsidiaries, including MCI Network Services and MCI
4 Communications Services, MCI provides international and domestic interstate, intrastate and local
5 telecommunications services. MCI is the parent company of various operating subsidiaries and
6 offers no services directly to the public and holds no certificates of public convenience and
7 necessity issued by the Commission. Additional information about MCI, Inc. is available at
8 www.mci.com.

9 5. MCI Network Services, Inc. is a Delaware corporation with its principal office
10 located at 22001 Loudoun County Parkway, Ashburn, Virginia 20147. (MCI Network Services is
11 a certificated interexchange carrier in Arizona pursuant to Decision Nos. 54507 and 59446.) MCI
12 Network Services provides wholesale long distance telephone, data and Internet services to other
13 carriers. MCI Network Services owns facilities used to provide non-local services. MCI, Inc. is
14 the ultimate parent of MCI Network Services.

15 6. MCI Communications Services, Inc. is a Delaware corporation with its principal
16 office located at 22001 Loudoun County Parkway, Ashburn, Virginia 20147 (MCI
17 Communications Services is a certificated interexchange carrier and provider of operator services
18 in Arizona pursuant to Decision Nos. 59629 and 59802). MCI Communications Services is MCI's
19 primary entity for U.S. based sales contracts. It holds MCI's customer contracts for commercial,
20 wholesale, consumer, and the public sector and leases various facilities. It also provides long
21 distance services to MCI's retail consumer and business customer base in all 50 states and the
22 District of Columbia. MCI, Inc. is the ultimate parent of MCI Communications Services.

23 The Company's Request

24 7. On September 28, 2005, MCI filed an application for expedited approval to transfer
25 certain MCI Network Services assets to MCI Communications Services pursuant to A.R.S. § 40-
26 285.

27 8. MCI states that this transaction is an essential aspect of MCI's plans to streamline
28 its corporate structure and allow it to operate in a more efficient manner. The transaction will
Decision No. _____

1 result in MCI Network Services' assets, facilities and wholesale customer contracts involving long
2 distance telephone, data and Internet services, being transferred to MCI Communications Services.

3 9. The transfer of MCI Network Services' assets to MCI Communications Services
4 should not impact service since MCI Network Services has no retail customers. All customers
5 served by MCI Network Services' facilities and pursuant to contract with MCI Network Services
6 will be served by MCI Communications Services after the transfer of assets.

7 10. MCI Communications Services has all authority necessary to provide the services
8 currently provided by MCI Network Services. No new authority is being requested. MCI, Inc.,
9 the ultimate parent of both companies, will retain control of both subsidiaries. There is no change
10 of ownership of Certificate of Convenience & Necessity ("CC&N"). MCI Network Services is
11 retaining its CC&Ns and is not asking for the cancellation of authority at this time.

12 11. MCI states that this transfer of assets and non-retail customers will not adversely
13 affect the provision of services in Arizona. Wholesale customers will receive the same services
14 from MCI Communications Services that they currently receive from MCI Network Services. No
15 changes will be made to the rates, terms and conditions or service offerings. All branding will still
16 remain MCI, making the transfer of assets transparent to all customers.

17 12. Denial or delay of this application will not have a direct impact on MCI's operating
18 plans, however, MCI states that it will be unable to comply with tax filing obligations for about 20
19 states, of which Arizona is not one. In Arizona, MCI files a consolidated return. In these other 20
20 states, MCI is required to file separate returns. Without completion of this paper transaction, MCI
21 will have an additional regulated entity that will have to file separate tax returns.

22 Staff's Conclusions

23 13. MCI Network Services did not report any business or residence local exchange
24 lines in its 2004 Annual Report, therefore, the transfer of assets from MCI Network Services to
25 MCI Communications Services should not present any harm to retail customers.

26 14. MCI Network Services did not report any business or residence local exchange
27 lines in its 2004 Annual Report, therefore, the transfer of assets from MCI Network Services to
28 MCI Communications Services should not impact facilities used for local exchange competition.

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ORDER

IT IS THERFORE ORDERED that MCI, Inc.'s application to transfer MCI Network Services' assets to MCI Communications Services pursuant to A.R.S. § 40-285 is granted.

IT IS FURTHER ORDERED that MCI Network Services shall file an application to cancel its CC&N within 60 days of a decision in this matter.

IT IS FURTHER ORDERED that this Decision shall be become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____, 2005.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:AFF:red/KL

1 SERVICE LIST FOR MCI, INC.
2 DOCKET NOS. T-02431A-05-0683 and T-03394A-05-0683

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