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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a Session of the Public Service  
Commission held at its office  
in Jefferson City on the 30th  
day of September, 1997.

In the Matter of the Application of )  
WorldCom, Inc., MFS Intelenet of )  
Missouri, Inc. MFS Communications )  
Company, Inc., MFS Network Technologies, )  
Inc. and WorldCom Technologies, Inc. for )  
Authority to Reorganize and for Related )  
Transactions. )

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CASE NO. TA-98-15

**ORDER APPROVING APPLICATION TO REORGANIZE CORPORATE  
STRUCTURE**

WorldCom, Inc. (WorldCom), MFS Intelenet of Missouri, Inc. (MFS Intelenet), MFS Communications Company, Inc. (MFS Communications), MFS Network Technologies, Inc. (MFS Network), and WorldCom Technologies, Inc. (WorldCom Tech) filed a joint application on July 11, 1997, seeking authorization of the Missouri Public Service Commission (Commission) for the reorganization of their corporate structure and operations, and completion of transactions related thereto. On September 24 applicants filed a motion for expedited treatment, which explains that the scheduled closing of the various transactions is to be effective September 30, therefore the applicants request that the Commission give this application expedited treatment so that the closing can be held as scheduled.

WorldCom is a publicly-traded Georgia corporation with its principal office located at 515 East Amite Street, Jackson, Mississippi 39201. WorldCom is certificated by the Commission to provide intrastate interexchange telecommunications services through a certificate originally issued to United States Transmission Systems, Inc. on July 17, 1987, in Case No. TA-87-130, as well as through its Missouri operating subsidiaries.

MFS Intelenet is a wholly-owned subsidiary of WorldCom Tech, and was certificated to provide intrastate interexchange telecommunications services on August 2, 1994 in Case No. TA-94-275. MFS Intelenet has also received conditional authority to provide basic local and local exchange telecommunications services on February 28, 1997 in Case No. TA-96-374.<sup>1</sup> The Commission approved the acquisition of MFS Communications by WorldCom on December 13, 1996, in Case No. TM-97-93, and as a result of the acquisition MFS Communications became a wholly-owned subsidiary of WorldCom. MFS Network is a nonregulated entity that operates as a holding company and service integrator.

WorldCom Tech is a Delaware Corporation which is at present a wholly-owned subsidiary of MFS Network. While at the time of the filing of this application WorldCom Tech was a holding company which did not directly provide services in the State of Missouri, WorldCom Tech subsequently received certification to provide intrastate interexchange telecommunications services on September 11 in Case No. TA-98-16.

The transactions which applicants seek authorization for may be summarized as follows. MFS Intelenet will merge with and into WorldCom Tech, with WorldCom Tech as the surviving entity. The certificate to provide intrastate interexchange service, currently held by MFS Intelenet, would be canceled, since WorldCom Tech has its own certificate to provide intrastate interexchange services. The accompanying tariff would be withdrawn upon completion of the reorganization. In addition, applicants wish to retain the conditional certificate to provide basic local and local exchange telecommunications services presently issued to MFS Intelenet. Since WorldCom Tech would be the surviving entity in the merger, it would

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<sup>1</sup> The certificate in Case No. TA-96-374 will become effective on the same date as the tariff which MFS Intelenet is required to file. That tariff was filed on August 13, and the current effective date of the tariff is October 4.

then assume MFS Intelenet's authority to provide basic local and local exchange services. WorldCom Tech, as the surviving entity, has no pending or final judgments against it from any state or federal agency which involves customer service or rates, and no tax impact is anticipated with regard to the revenues of any political subdivision in the State of Missouri.

Applicants also request authority to transfer the telecommunications-related assets of WorldCom to WorldCom Tech. After the transfer, WorldCom Tech will assume WorldCom's operations and provide services to WorldCom's customers in Missouri, while WorldCom will function exclusively as a holding company. WorldCom Tech will incorporate all of WorldCom's existing services into its tariff at the same rates, terms and conditions as are currently available. WorldCom Tech, as the transferee, has no pending or final judgments against it from any state or federal agency which involves customer service or rates, and no tax impact is anticipated with regard to the revenues of any political subdivision in the State of Missouri.

In addition, applicants seek to transfer control of WorldCom Tech to MFS Communications. Currently, MFS Network is the corporate parent of WorldCom Tech. After the transfer, MFS Network will be shifted down one level, while WorldCom Tech will be shifted up one level. Thus, MFS Communications will become the direct corporate parent of WorldCom Tech, while MFS Network will become an affiliate of WorldCom Tech instead.

Applicants explain that over time, WorldCom's growth has been fueled by the acquisition of more than 75 telecommunications service providers, and that an already complex corporate structure was further complicated by the acquisition of MFS Communications and its operating subsidiaries at the end of 1996, which added over 50 regulated corporations

to the WorldCom family of companies. This circumstance has created an unwieldy web of intercorporate relationships and a confusing patchwork of regulatory authority, with the result that administration has been made unnecessarily burdensome for both WorldCom and the regulatory agencies that regulate it. By reorganizing into a single holding company with fewer regulated subsidiaries, WorldCom hopes to simplify its managerial tasks as well as the burden on regulators. Applicants maintain that the consolidation will enable the WorldCom companies to operate more efficiently and effectively by eliminating a number of redundant administrative functions.

As a result of the reorganization, WorldCom will become a holding company, MFS Intelenet will cease to exist, and WorldCom Tech will become one of the primary operating entities of the WorldCom family of companies in Missouri. Applicants state their belief that the transition from the provision of service by WorldCom and MFS Intelenet to the provision of service by WorldCom Tech instead will be virtually transparent and seamless to customers in Missouri. In addition, applicants state that if there are any inconsistencies between the WorldCom and MFS Intelenet tariffs and the tariff of WorldCom Tech, WorldCom Tech will send appropriate notifications to customers about the transactions taking place, and the effect those transactions may have on the customer. Further, applicants have submitted charts of the pre-organization Missouri corporate structure and the post-reorganization Missouri corporate structure as, respectively, Attachment A and Attachment F to the joint application. Those charts are attached to this order as Attachments A and B respectively.

The Staff of the Missouri Public Service Commission (Staff) filed a memorandum containing its recommendation on September 24. Staff

first details the background of the applicants, along with the particulars of the proposed transaction. Staff explains that after the merger between MFS Intelenet and WorldCom Tech, MFS Intelenet will cease to exist and all of its customers will be served by WorldCom Tech pursuant to MFS Intelenet's tariff. Staff has reviewed the tariff of WorldCom Tech and concludes that it also contains the identical services and rates found in the tariff of MFS Intelenet, so those customers will continue to receive the same services they are currently receiving at the same rates. Customers will be given notice of the change in the name of their telecommunications service provider. With regard to the pending application of MFS Intelenet for a certificate to provide basic local exchange service, Staff notes that applicants are requesting that the certificate, although not yet effective, be transferred to WorldCom Tech, which would be responsible for finalizing the process.

Staff also explains that applicants wish to transfer all of WorldCom's operating authority and its assets in Missouri to WorldCom Tech, which will assume WorldCom's operations and provide telecommunications services to WorldCom's customers in Missouri. WorldCom will then function exclusively as a holding company. Staff notes that WorldCom Tech will serve WorldCom's current customers using the same network, billing systems, and customer service operations that WorldCom uses, thus ensuring that WorldCom's customers will continue to receive the same services at the same rates and under the same terms and conditions. Staff has reviewed the tariff of WorldCom Tech, and concludes that it does contain the identical services and rates that are currently offered under the WorldCom tariff. Staff adds that it does not believe it is necessary to transfer WorldCom's operating authority to WorldCom Tech, since WorldCom Tech has received Commission certification in Case No. TA-98-16.

Further, Staff notes that applicants propose to remove MFS Network from the chain of corporate ownership of WorldCom Tech, by transferring control of WorldCom Tech to MFS Communications, which is currently MFS Network's corporate parent. Finally, Staff notes that applicants request that the intrastate interexchange certificate which was granted to MFS Intelenet be canceled, but that the existing tariffs of WorldCom and MFS Intelenet not be withdrawn until completion of the reorganization and approval of the tariff of WorldCom Tech.

In conclusion, Staff states that it has no objections to the proposed reorganization, and recommends that the Commission issue an order that approves the merger of MFS Intelenet with and into WorldCom Tech, approves the transfer of WorldCom's assets in Missouri to WorldCom Tech, approves the transfer of control of WorldCom Tech from MFS Network to MFS Communications, and transfers the pending basic local exchange service authority of MFS Intelenet to WorldCom Tech. Staff also recommends that the Commission direct applicants to change the name on the local exchange tariff of MFS Intelenet to WorldCom Tech within 30 days, through either an adoption notice or a new tariff. Staff further recommends that the Commission cancel both the certificates of interexchange authority and the accompanying tariffs of WorldCom and MFS Intelenet with 60 days from the effective date of the Commission's order, which would allow the companies time to complete the reorganization and notify affected customers.

Although not discussed in the application, Staff also recommends that the Commission direct the applicants to amend the interconnection agreement between MFS Intelenet<sup>2</sup> and Southwestern Bell Telephone Company (SWBT), which was approved in Case No. TO-97-27, to

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<sup>2</sup> The interconnection agreement is actually between MFS Communications and SWBT.

reflect the name of WorldCom Tech instead. Staff adds that the only other filing which affects or would be affected by this proposal is Case No. TA-96-374, which involves MFS Intelenet's application to provide basic local telecommunications service.

Upon review of the verified application and attachments thereto, and Staff's recommendation, the Commission finds that the proposed reorganization is unlikely to cause disruption, inconvenience, or confusion to any customers of WorldCom or MFS Intelenet, and that these customers will continue to receive the same rates and services under the tariff of WorldCom Tech. The merger of MFS Intelenet with and into WorldCom Tech, and the transfer of WorldCom's assets to WorldCom Tech will be essentially transparent to the customers of MFS Intelenet and WorldCom. In addition, the transfer of control of WorldCom Tech from MFS Network to MFS Communications will also have no impact on customers. The Commission further finds that as a result of the reorganization and corporate structure, WorldCom will become a holding company with fewer regulated subsidiaries, and the present administrative burden and confusion will be eased for WorldCom, its operating subsidiaries, and the regulatory agencies charged with the duty of regulating WorldCom and its family of companies. The Commission therefore finds that the proposed transactions will not be detrimental to the public interest.

However, the Commission determines that the certificate of service authority to provide basic local and local exchange telecommunications service granted to MFS Intelenet should not be transferred to WorldCom Tech. WorldCom Tech should file an application for a certificate of service authority to provide basic local and local exchange service if it wishes to provide those services in Missouri, or file an appropriate pleading in Case No. TA-96-374 establishing its

compliance with the requirements for basic local service providers set out in 392.455, RSMo Supp. 1996.

Furthermore, the Commission finds that WorldCom's authority to provide intrastate interexchange service should be canceled, along with its accompanying tariff. WorldCom Tech already possesses a certificate to provide intrastate interexchange services in Missouri, therefore a second certificate to provide the same type of service would be a redundancy. Such a multiplicity of certificates would add to, rather than reduce, the administrative burden on this Commission, especially given the convoluted history of the certificate presently held by WorldCom. However, the cancelation of WorldCom's certificate and tariff should not take place until after WorldCom has transferred its telecommunications-related assets to WorldCom Tech, therefore the Commission will follow Staff's suggestion and make the cancelation effective 60 days from the effective date of the Commission's order. Since the joint applicants state the closing is scheduled to become effective September 30, this should provide an adequate amount of time to complete the reorganization and notify customers.

Likewise, MFS Intelenet's authority to provide intrastate interexchange service, along with its accompanying tariff, should be canceled effective 60 days from the effective date of the Commission's order. While the joint application contemplates that this certificate would be canceled immediately, it would not be appropriate to cancel this certificate until after the merger between MFS Intelenet and WorldCom Tech has taken place, since otherwise MFS Intelenet would not be authorized to provide service to its customers in the interim.

With respect to the interconnection agreement between MFS Communications and SWBT, the Commission notes that MFS Communications is



the parent company of WorldCom Tech, and therefore there is no need to amend the interconnection agreement to reflect the name of WorldCom Tech.

Finally, the Commission approved an intraLATA presubscription implementation plan for MFS Intelenet of Missouri, Inc. to take effect once the company begins providing basic local telecommunications services. (Case No. TO-97-254, Report and Order issued September 11, 1997). That order requires the company to file a customer notice form for Commission approval. WorldCom Tech will need to file the appropriate pleadings in TO-97-254 as well as in MFS's pending basic local certificate case.

**IT IS THEREFORE ORDERED:**

1. That the application filed on July 11, 1997 for authority to reorganize the corporate structure of WorldCom, Inc. is hereby approved with the exception that the basic local and local exchange certificate of service authority conditionally granted to MFS Intelent of Missouri, Inc. in Case No. TA-96-374 shall not be transferred as requested.

2. That the merger of MFS Intelenet of Missouri, Inc. with and into WorldCom Technologies, Inc., with WorldCom Technologies, Inc. as the surviving entity, is authorized in accordance with the joint application and this order.

3. That WorldCom, Inc. is authorized to transfer its telecommunications-related assets to WorldCom Technologies, Inc. in accordance with the joint application and this order.

4. That MFS Network Technologies, Inc. is authorized to transfer control of WorldCom Technologies, Inc. to MFS Communications Company, Inc, in accordance with the joint application and this order.

5. That WorldCom, Inc., MFS Intelenet of Missouri, Inc., MFS Communications Company, Inc., MFS Network Technologies, Inc., and WorldCom Technologies, Inc. are authorized to take any and all other actions

necessary to effectuate the proposed transactions contemplated by the joint application and this order.

6. That the certificate of service authority to provide intrastate interexchange telecommunications services, currently granted to MFS Intelenet of Missouri, Inc. on August 2, 1994 in Case No. TA-94-275, along with its accompanying tariff, are canceled effective 60 days from the effective date of this order, on November 30, 1997.

7. That the certificate of service authority to provide intrastate interexchange telecommunications services, currently granted to WorldCom, Inc. on July 17, 1987 in Case No. TA-87-130, along with its accompanying tariff, are canceled effective 60 days from the effective date of this order, on November 30, 1997.

8. That WorldCom, Inc., MFS Intelenet of Missouri, Inc., MFS Communications Company, Inc., MFS Network Technologies, Inc., and WorldCom Technologies, Inc. are directed to file a pleading with the Missouri Public Service Commission notifying the Commission of the completion of all of the transactions proposed in the joint application, along with the date of completion, within ten days after the completion of the transactions.

9. That this order shall become effective on September 30, 1997.

BY THE COMMISSION



Cecil I. Wright  
Executive Secretary

(S E A L)

Lumpe, Chm., Crumpton,  
Murray, and Drainer,  
CC., Concur.

ALJ: Bensavage