

Memorandum

To: Missouri Public Service Commission Official Case File
 Case No. TO-2006-0140
 MCI Network Services, Inc. and MCI Communications Services, Inc.

From: Sherri Kohly, Telecommunications Department
 William L. Voight 11/03/05 /s/ William K. Haas 11/03/05
 Utility Operations Division/Date General Counsel's Office/Date

Subject: Staff Recommendation for Application Seeking Commission Approval of Competitive Company Transaction

Date: November 3, 2005

The Telecommunications Department Staff (Staff) recommends the Commission (check, as applicable):

- Approve Merger**
 Approve Consolidation
 Approve Transfer of Assets
- Approve Name Change**
- Cancel Certificate(s) & Tariff(s)**
 Approve Certificate(s) & Tariff(s)

According to Commission rules, competitively classified companies are required to provide minimal information in applications to merge, consolidate or sell/transfer assets. Based on the information provided to Staff, Staff does not believe this particular transaction will be detrimental to the public interest. This transaction solely involves competitively classified companies and is not detrimental to the public interest since a customer has/will receive advance notice and can freely switch to another provider. The following chart summarizes this transaction.

Companies Involved in Transaction	Customer Served By ("X", if applicable)		Sale of Assets ("X", if applicable)		Certificates* (If applicable, indicate "C" to cancel, "A" to approve)			Tariffs* (If applicable, indicate Tariff PSC MO Nos.)	
	Before	After	Seller	Buyer	IXC	Local	Basic Local	Cancel	Approve
MCI Network Services, Inc.	X		X						
MCI Communications Services, Inc.		X		X					

*See attachment to Staff recommendation for further details associated with approving certificates or tariffs.

Merger, Consolidation, Sell or Transfer Assets

Will affected customers be switched to a different company? No Yes

- Customers have been notified and a copy of the notification is attached to this Staff Recommendation.
- Customers will be notified at least 30 days prior to being switched to a different company. (4 CSR 240-3.525) A copy of the notification is attached to this Staff Recommendation. Yes No

Company Name Change Notification

- Company has notified its customers of the name change. A copy of the customer notice is attached.
- Staff recommends the Commission order the Company to notify its customers at or before the next billing cycle of the name change and file a copy of the notice with the Commission.

Does this transaction involve a company in bankruptcy? Yes No
If yes, a copy of the bankruptcy order is attached.

Competitive Company Transaction Review Items

Administrative:

- Application solely involves competitively classified companies.
- No applications to intervene filed.

Noteworthy Transaction Application Requirements of 4 CSR 240-3.520 and 4 CSR 240-3.525:

- Will have no impact on tax revenues pursuant to 4 CSR 240-3.520(F) or 4 CSR 240-3.525(F)
- Appropriate Secretary of State authorization has been submitted for any applicant (or if previously submitted, reference to prior case number). Case No.

Missouri corporations: A Certificate of Good Standing.

Foreign corporations: Authorization to do business in Missouri.

If business conducted under a fictitious name: A copy of registration of the fictitious name.

- No pending or final judgments/decisions described in 4 CSR 240-2.060(1)(K).
- A statement that no annual report or assessment fees are overdue for any applicant.

Are there additional recommendations or special considerations? No Yes

If yes, explain in an attachment.

- The Company is not delinquent in filing an annual report and paying the PSC assessment.
 - The Company is delinquent. Staff recommends the Commission grant the requested relief/action on the condition the applicant corrects the delinquency. The applicant should be instructed to make the appropriate filing in this case after it has corrected the delinquency.
- (No annual report Unpaid PSC assessment. Amount owed:)

Attachment to Staff Recommendation

MCI, Inc. (MCI), the parent company, submitted an application to transfer certain assets of its subsidiary, MCI Network Services, Inc. (MCI-NET), to another subsidiary, MCI Communications Services, Inc. (MCI-COM). According to MCI's application, the proposed internal corporate transaction is an effort to streamline the company, achieve cost savings and eliminate any administrative duplication. MCI-NET's assets, facilities and wholesale customer contracts involving long distance telephone, data and Internet services will be transferred to MCI-COM. The transferred customers will continue to receive the same services at the same rates, terms and conditions and all branding will remain "MCI". MCI-NET does not serve retail customers.

MCI requests, pursuant to 4 CSR 240-2.060(4), that the Commission waive the requirements under 4 CSR 240-3.520(2)(B)(E), and (G). The Staff recommends that 4 CSR 240-3.520(2)(B) which requires a copy of the contract or agreement of sale, be waived for good cause as this is an internal corporate transaction involving assets that do not serve retail customers. Staff also recommends that the Commission grant for good cause MCI's request for waiver of 4 CSR 240-3.520(2)(G) which requires a copy of the customer notification informing customers of a proposed transaction resulting in them being served by a different telecommunications company. Staff believes that the wholesale customers will not really see any change in their telecommunications company as they will continue to be served by an MCI company under the same rates and conditions. MCI's request for waiver of 4 CSR 240-3.520(2)(E) does not need to be addressed since competitive telecommunications companies are exempt from that subsection. MCI requests expedited action by the Commission so that it can complete the transaction by December 31, 2005. Staff recommends the Commission approve MCI's application at its earliest convenience.