

MEMORANDUM

FILED

JUN 28 1999

Missouri Public
Service Commission

TO: Missouri Public Service Commission Official Case File
Case No. TM-99-588

MCI WorldCom, Inc. and
WorldCom Network Services, Inc.
MFS Communications Company, Inc.
MCI Communications Corp.
MCI Telecommunications Corp.
WorldCom Technologies, Inc.

FROM: Arthur P. Kuss, Telecommunications Department

Wen Henderson 6/28/99
Utility Operations Division/Date

BU *RES*
Penny G Baker 6/28/99
General Counsel's Office/Date

SUBJECT: Staff Recommendation to Approve the Mergers, Stock Transfers, Operation
Transfers and Renaming among MCI WorldCom, Inc. Subsidiaries

DATE: June 17, 1999

I. Background

On June 08, 1999 MCI WorldCom, Inc. (MCI WorldCom), the parent corporation, and its subsidiaries:

- WorldCom Network Services, Inc. (WNS), a competitive telecommunications carrier,
- MCI Telecommunications Corporation (MCIT), a competitive telecommunications carrier,
- MFS Communications Company, Inc. (MFSCC), a holding company,
- MCI Communications Corporation (MCIC), a holding company, and
- WorldCom Technologies, Inc., Inc. (WT), a competitive telecommunications carrier,

hereinafter collectively referred to as Parties (Parties), filed a joint application requesting approval of a series of transactions. These proposed transactions include:

1. Merger of WNS into MCIT, with MCIT to become the surviving entity.
2. (WT is currently held by MFSCC.) Merger of MFSCC into MCIC, with MCIC to become the surviving entity.
3. Transfer the stock of WT from MCIC to MCIT, with WT to become a subsidiary of MCIT.
4. Transfer the retail operations of MCIT to WT, with intrastate telecommunications services currently provided by MCIT to become provided by WT.
5. Rename WT to become MCI WorldCom Communications, Inc. (MCIWC).
6. Rename MCIT to become MCI WorldCom Network Services, Inc. (MCIWNS).
7. The telecommunications carrier WNS to cease operation as a separate entity.
8. The holding company MFSCC to cease operation as a separate entity.

II. Tariffs

The competitive telecommunication provider members of the Parties currently operate in Missouri under the tariffs shown below.

- WorldCom Network Services, Inc. (WNS)
P.S.C. Mo. Tariff No. 1 Intrastate Telecommunications Services, effective June 29, 1998.
- MCI Telecommunications Corporation (MCIT)
M.P.S.C. Tariff No. 1 Intercity Telecommunications Services, effective January 18, 1990.
M.P.S.C. Tariff No. 2 Intercity Telecommunications Services for the Missouri Prison Payphone System, effective April 01, 1987
- WorldCom Technologies, Inc., Inc. (WT)
Missouri P.S.C. No 1 Intrastate Communications Services Tariff, effective September 13, 1997
MO. P.S.C. No. 2 Intrastate End-User Local Exchange Communications Services Tariff, effective December 28, 1997.

WNS provides intrastate and interstate interexchange telecommunications services in Missouri and other states. Following the reorganization, the tariff of WNS is to be adopted and renamed by the new entity MCIWNS. MCIWNS will thereafter provide services to WNS's former customers according to the rates, terms and conditions described in the tariff, and with no interruption of service.

MCIT and WT provide intrastate and interstate interexchange telecommunications services in various states, including Missouri. MCIT's Tariff No. 1 and WT's Tariff No. 1 are to be adopted, consolidated into one, and named No. 1 by the new entity MCIWC. MCIT's Tariff No. 2 is to be adopted and renamed No. 2 by MCIWC. WT's Tariff No. 2 is to be adopted and renamed No. 3 by MCIWC. MCIWC will thereafter provide services to MCIT's and WT's customers according to the rates, terms and conditions described in the tariffs, and with no interruption of service.

The result of the transactions will be to consolidate the overlapping services of the various subsidiaries resulting from the previous merger of WorldCom, Inc. and MCI Communications, Inc. The renamed telecommunications companies MCIWC and MCIWNS will provide continuing telecommunications services according to their existing certifications and their new tariffs. The merger is expected to result in cost savings for all companies due to efficiencies in administration, marketing and billing.

The Parties have declared that the proposed reorganization will not have a direct, substantial or adverse impact on the tax revenues of the State of Missouri or of any political subdivision therein. In compliance with 4 CSR 240-2.060(6)(H), Parties also declare that neither remaining company WT nor MCIT has pending or final decisions or judgments against it from any state or federal agency involving service to customers or rates charged.

III. Staff Recommendation

The Telecommunications Department Staff (Staff) has reviewed the application and believes that it meets the limited requirements of 4 CSR 240-2.060(6).

- Staff has no objections to the proposed mergers and recommends that the Commission issue an order that approves the proposed reorganization of MCI WorldCom's subsidiaries.
- Staff has no objections to the proposed name changes and recommends that the Commission approve the proposed name changes of WT to MCIWC, and of MCIT to MCIWNS.
- Staff recommends that MCIWC should file any appropriate adoptions and changes to the MCIT and WT tariffs within 60 days of the effective date of the Commission's order.
- Staff also recommends that MCIWNS should file any appropriate adoptions and changes to the WNS tariff within 60 days of the effective date of the Commission's order.
- MCIWC should be ordered to transfer all of the affected MCIT and WT customers to MCIWC tariffed services within ninety (90) days of the effective date of the Commission's order.
- MCIWNS should also be ordered to transfer all of the former WNS customers to MCIWNS tariffed services within ninety (90) days of the effective date of the Commission's order.
- Pursuant to RSMo. Section 392.500, MCIWC and MCIWNS should notify the Commission of any rate changes and the customers of any proposed rate increases.
- Lastly, Staff recommends that WNS's Certificate of Service Authority be cancelled ninety (90) days after the effective date of the Commission's Order.

Staff is unaware of any other filings that would affect, or be affected by, this proposal.

IV. Copies:

Director - Utility Operations Division
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