

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

G. Nanette Thompson, Chair  
Bernie Smith  
Patricia M. DeMarco  
Will Abbott  
James S. Strandberg

In the Matter of the Application of MCI )  
WORLD COM, INC., MFS COMMUNICATIONS )  
COMPANY, INC., MCI COMMUNICATIONS )  
CORP., MCI TELECOMMUNICATIONS CORP. and )  
WORLD COM TECHNOLOGIES, INC. For Authority )  
to Reorganize and Perform Related Transactions )  
\_\_\_\_\_ )

U-99-73

ORDER NO. 1

**ORDER APPROVING APPLICATION  
AND REQUIRING FILINGS**

BY THE COMMISSION:

Introduction

On June 9, 1999, MCI WorldCom, Inc. (MCI WorldCom), through its subsidiaries MFS Communications Company, Inc. (MFSCC),<sup>1</sup> and MCI Communications Corporation (MCICC)<sup>2</sup> filed an application requesting approval of a series of internal transactions reorganizing its current corporate structure whereby WCT and MCI will be merged and consolidated into MCICC. Following the reorganization, WCT will

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<sup>1</sup>MFSCC is the holding company of WORLD COM TECHNOLOGIES, INC. (WCT), holder of Certificate of Public Convenience and Necessity (Certificate) No. 458.

<sup>2</sup>MCICC is the holding company of MCI TELECOMMUNICATIONS Corporation (MCI), holder of Certificate No. 515.

be renamed MCI WorldCom Communications, Inc. (MCIWCC), and MCI will be renamed MCI WorldCom Network Services, Inc. (MCIWCNS).

The filing was noticed to the public on August 17, 1999, with a closing date of August 30, 1999, for submission of comments in favor of, or in opposition to, the application. The Commission has received no responses to the noticing of the application.

The Commission Staff (Staff) reviewed the filings in this proceeding and, on September 16, 1999, submitted its analysis and recommendation (Report) thereon. Staff's Report sets out in detail the history of the proceeding, the public noticing of the application, and Staff's findings and recommendations regarding disposition of the application. A copy of Staff's Report is attached to this Order as an Appendix.

Staff recommended that the Commission find MCIWCNS and MCIWCC fit, willing, and able to provide IXC telecommunication services in Alaska and that the application to reorganize and change the names on Certificate Nos. 458 and 515 be approved.<sup>3</sup> Staff recommended that approval of the application should be contingent upon the applicant filing notification that the transactions have been consummated. Staff recommended the notification, along with the tariff adoption notice required by

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<sup>3</sup>On September 28, 1999, MCI WorldCom filed a letter requesting that it be informed of the Commission's action on its reorganization application by the morning of September 29, 1999. MCI WorldCom stated that by October 1, 1999, it must file with federal authorities orders issued by state regulatory agencies in response to MCI WorldCom's applications.

3 AAC 48.400, should be filed within 30 days of closing the transactions.<sup>4</sup> Staff also recommended MCIWCNS and MCIWCC be required to file its revised tariff within 45 days of closing the transactions. Staff recommended MCIWCNS file a new \$1,000 bond in its own name or file confirmation that the MCI bond on file has been transferred to MCIWCNS within 30 days of closing the transactions. Staff further recommended that MCIWCNS be required to brief the Commission within 60 days of the date of this Order on why MCIWCNS's certificate should not be revoked and its services consolidated with MCIWCC.

#### Discussion

Based on its review of the record in this proceeding, the Commission concurs with Staff's recommendation to approve the application effective the date the transactions are completed. The Commission also concurs with Staff's recommendations indicated above. Staff's Report is incorporated herein by reference and adopted as the Commission's findings of fact and conclusions of law.

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<sup>4</sup>The Commission notes that the MCIWCNS application indicates that they will provide wholesale services yet the tariff currently on file with the Commission does not contain wholesale provisions.

**ORDER**

THE COMMISSION FURTHER ORDERS:

1. The application filed by MCI WorldCom, Inc., to reorganize and rename its Alaska subsidiaries (WorldCom Technologies, Inc., and MCI Telecommunications Corporation) that hold Certificates of Public Convenience and Necessity Nos. 458 and 515 is approved effective the date that the transactions are consummated.

2. Within thirty days of consummating the transactions, MCI WorldCom Network Services, Inc., and MCI WorldCom Communications, Inc., shall file with the Commission written notification of that date.

3. Within thirty days of consummating the transactions, MCI WorldCom Network Services, Inc., and MCI WorldCom Communications, Inc., shall each file with the Commission a tariff adoption notice as required by 3 AAC 48.400. New tariffs shall be filed with the Commission within 45 days of consummating the transactions.

4. Within thirty days of consummating the transactions, MCI WorldCom Network Services, Inc., shall file a new \$1,000 bond in its own name or file confirmation that the bond on file with the Commission in the name of MCI Telecommunications Corporation has been transferred to MCI WorldCom Network Services, Inc.

5. By 4 p.m., October 29, 1999, MCI WorldCom Network Services, Inc., shall brief the Commission as to why Certificate of Public Convenience and Necessity No. 515, held by MCI WorldCom Network Services, Inc., should not be revoked and its services consolidated with MCI WorldCom Communications, Inc.

DATED AND EFFECTIVE at Anchorage, Alaska, this 29th day of September, 1999.

BY DIRECTION OF THE COMMISSION

( S E A L )

STATE OF ALASKA  
**The Regulatory Commission of Alaska**  
1016 West Sixth Avenue, Suite 400  
Anchorage, Alaska 99501

**M E M O R A N D U M**

TO: Commissioners:  
G. Nanette Thompson, Chair  
Bernie Smith  
Patricia M. DeMarco  
Will Abbott  
James S. Strandberg

DATE: September 16, 1999

FROM: Paul Morrison, Chief Utility Engineering

Subject: U-99-73, In the Matter of the Application of MCI WORLDCOM, INC., MFS COMMUNICATIONS COMPANY, INC., MCI COMMUNICATIONS CORP., MCI TELECOMMUNICATIONS CORP. and WORLDCOM TECHNOLOGIES, INC. For Authority to Reorganize and Related Transaction - Staff Recommendation.

**Statement of Case**

Before the Commission is an application by MCI WorldCom Inc. for authority to reorganize two of its subsidiaries WorldCom Technologies, Inc. and MCI Telecommunications Corp, each of which holds a Certificate of Public Convenience and Necessity authorizing them to do business in Alaska

**Recommendation**

The Commission Staff (Staff) recommends that:

- 1) the Commission find MCI WorldCom Network Services, Inc. (MCIWCNS) and MCI WorldCom Communications, Inc. (MCIWCC) fit will and able to provide IXC telecommunication services in Alaska and that its application to reorganize and change the name on certificate Nos. 458 and 515 be approved.
  - a) Approval of the application should be contingent upon filing notification that the transactions have been consummated.
- 2) The notification, along with the tariff adoption notice required by 3 AAC 48.400 should be filed within 30 days of closing the transactions.

- 3) MCIWCNS and MCIWCC should each file its revised tariff within 45 days of closing the transactions.
- 4) MCIWCNS file a new \$1,000 bond in its own name or file confirmation that the MCI bond on file has been transferred to MCIWCNS within 30 days of closing the transactions.
- 5) MCIWCNS be required to brief the Commission within 60 days of its order on why its certificate should not be revoked and its services consolidated with that of MCIWCC.'s

### **Procedural History**

By Order U-97-124(1), dated October 8, 1997, the Commission, among other things, approved a request for MFS Communications Company, Inc. (MFSCC), to acquire a controlling interest in WorldCom Technologies, Inc. (WCT), holder of Certificate 458.

By Order U-97-235(1) dated April 28, 1998, the Commission, among other things, approved the application jointly filed by WorldCom, Inc., and MCI Communications Corporation (MCICC) for WorldCom, Inc., to acquire a controlling interest in MCI Telecommunications Corporation (MCI), holder of Certificate No.515<sup>1</sup>.

On June 9, 1999, MCI WorldCom, Inc. (MCI WorldCom), apparently the new name for WorldCom, Inc. and parent to MFSCC and MCICC, filed an application requesting approval of a series of internal transactions reorganizing its current corporate structure whereby WCT and MCI will be merged and consolidated into MCICC. Following the reorganization, WCT will be renamed MCI WorldCom Communications, Inc. (MCIWCC), and MCI will be renamed MCI WorldCom Network Services, Inc. (MCIWCNS)

The filing was noticed to the public on August 17, 1999, with a closing date of August 30, 1999, for submission of comments in favor of, or in opposition to, the application. The Commission has received no responses to the noticing of the application.

On June 22, 1999 and on September 16, 1999, the applicant filed an Amended Certificate of Authority for MCIWCC and MCIWCNS from the state of Alaska.

### **Issues**

- 1) Whether the application be approved
  - a) Whether the applicants are fit, willing, and able to assume ownership the certificated utilities
  - b) Whether the transactions are in the public interest?

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<sup>1</sup> In that order the Commission also acknowledged that WorldCom, Inc., obtain a significant interest in subsidiaries of GCI Communication Corp. d/b/a General Communication, Inc., and d/b/a GCI that are holders of certificates of public convenience and necessity in Alaska

- 2) Whether any special conditions or requirements should be imposed upon the applicants
- 3) Whether any actions should be taken with respect to the rates and tariffs

### **Analysis**

A graphical representation of the transactions is included as Attachment PcM-1 to this recommendation.

The application states that MFSCC the holding company of WCT will merge into MCICC. MCICC is the holding company for MCI and through this transaction WCT will also become a subsidiary of MCICC. MCICC then plans to transfer all of the stock of WCT to MCI so WCT will become a subsidiary of MCI. MCI plans to transfer certain assets and retail customers to WCT. The final action is to rename MCI to MCIWCNS and WCT to MCIWCC.

The application indicates these transactions are internal administrative actions needed to further implement the merger of WorldCom, Inc. and MCICC that was previously approved by the Commission. The application states that the transactions will increase the efficiencies of the operations and eliminate potential customer confusion and lessen the burden on the Commission and other regulatory agencies that result from the current organization structure. The application also indicates that MCIWCNS is being reorganized to primarily provide IXC services to other carriers and MCIWCC will continue to provide retail IXC services.

#### Fitness, Willingness, and Ability

Are MCIWCNS and MCIWCC fit, willing and able to provide public IXC utility service?

AS 42.05.241 states that a certificate may not be issued unless the Commission finds that the applicant is fit, willing and able to provide the utility services applied for . . .

AS 42.05.281 states that a certificate may not be sold or leased, rented, transferred or inherited without the prior approval of the commission.

The application indicates that transactions are just a reorganization of the existing companies. No indication is given that there will be significant changes in the management, financial or technical structure of the surviving entities. The Commission has found MCIWCNS and MCIWCC predecessors fit willing and able. Nothing in the application leads Staff to change the finding that MCIWCC is fit, willing and able.

#### Public Interest and Special Conditions

As indicated above, the applicants seek approval of these transaction to eliminate potential customer confusion and lessen the burden on the Commission. Staff does not believe these transaction obtain these results in Alaska. Under their existing tariffs, MCIWCNS will be providing retail prepaid calling card services and MCIWCC will be providing retail calling card service that are billed on a customer's monthly statement. Staff believes the similarities of the names and that both entities will be providing retail calling card services will add to customer

confusion and will increase the Commission's workload. The application indicates MCIWCNS will be providing wholesale services yet its tariff does not contain whole provisions. Staff believes MCIWCNS should brief the Commission within 60 days of its order on why MCIWCNS's certificate should not be revoked and its services consolidated with MCIWCC.

Approval of the application should be contingent upon the applicant consummating the transactions. MCIWCNS and MCIWCC should notify the Commission within 30 days of closing the transactions.

By Order U-97-91(1)<sup>2</sup> dated August 5, 1997, MCI was required to file with the Commission a \$1,000 bond to be used solely for payment of customer refunds. Staff recommends the Commission require MCIWCNS to file a new \$1,000 bond in its own name or file confirmation that the MCI bond on file has been transferred to MCIWCNS.

### Tariff

WCT and MCI both have tariffs on file with the Commission. WCT's tariff still contains the issuance name of "MFS Intelenet of Alaska, Inc." Staff recommends the Commission require MCIWCNS and MCIWCC file an adoption notice as specified in 3 AAC 48.400 and file a revised tariff in its own name within 45 days of closing the transaction. MCIWCNS and MCIWCC should not make any changes to its revised tariff other than updating the "Issued by:" line. Any revisions should be filed as a separate Tariff Advice filing.

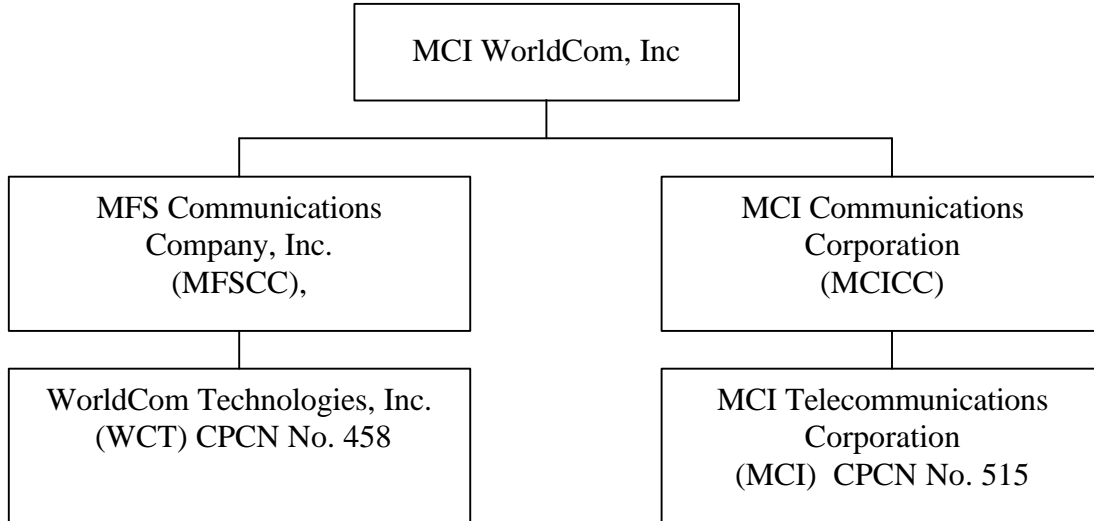
### **Conclusion**

Based on the above, Staff recommends the Commission find MCIWCNS and MCIWCC fit will and able to provide IXC telecommunication services in Alaska and that its application to reorganize and change the name on Certificate Nos. 458 and 515 be approved. Approval of the application should be contingent upon filing notification that the transactions have been consummated. The notification, along with the tariff adoption notice required by 3 AAC 48.400 should be filed within 30 days of closing the transactions. MCIWCNS and MCIWCC should file its revised tariff within 45 days of closing the transactions. Staff recommends MCIWCNS file a new \$1,000 bond in its own name or file confirmation that the MCI bond on file has been transferred to MCIWCNS within 30 days of closing the transactions. Staff further recommends MCIWCNS be required to brief the Commission within 60 days of its order on why MCIWCNS's certificate should not be revoked and its services consolidated with MCIWCC.

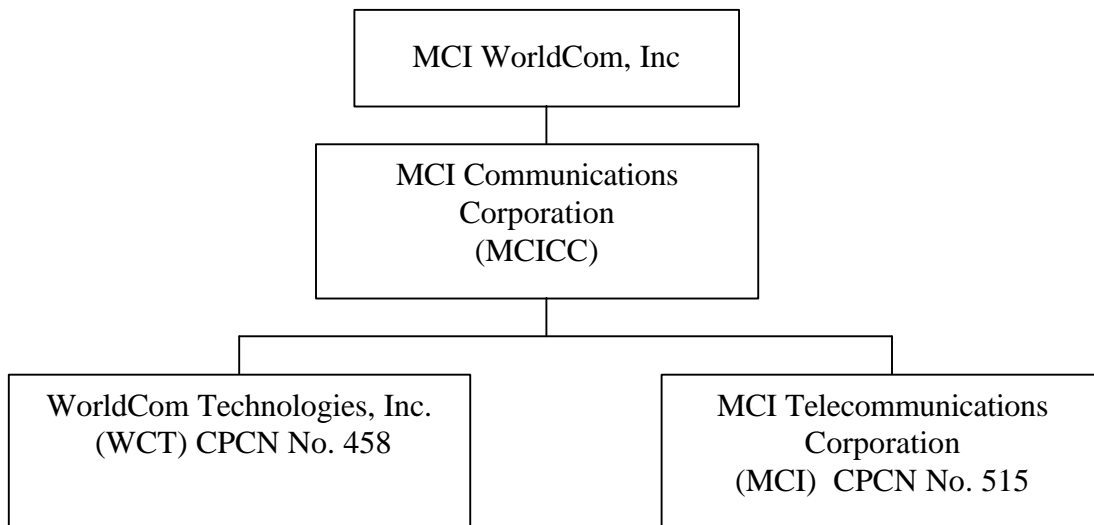
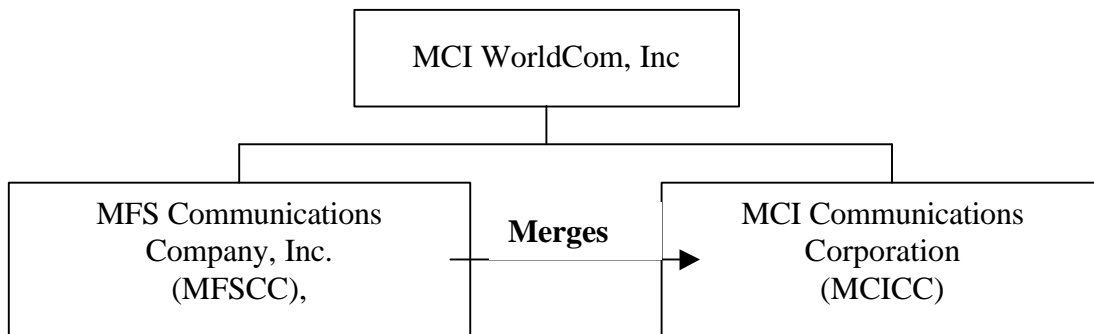
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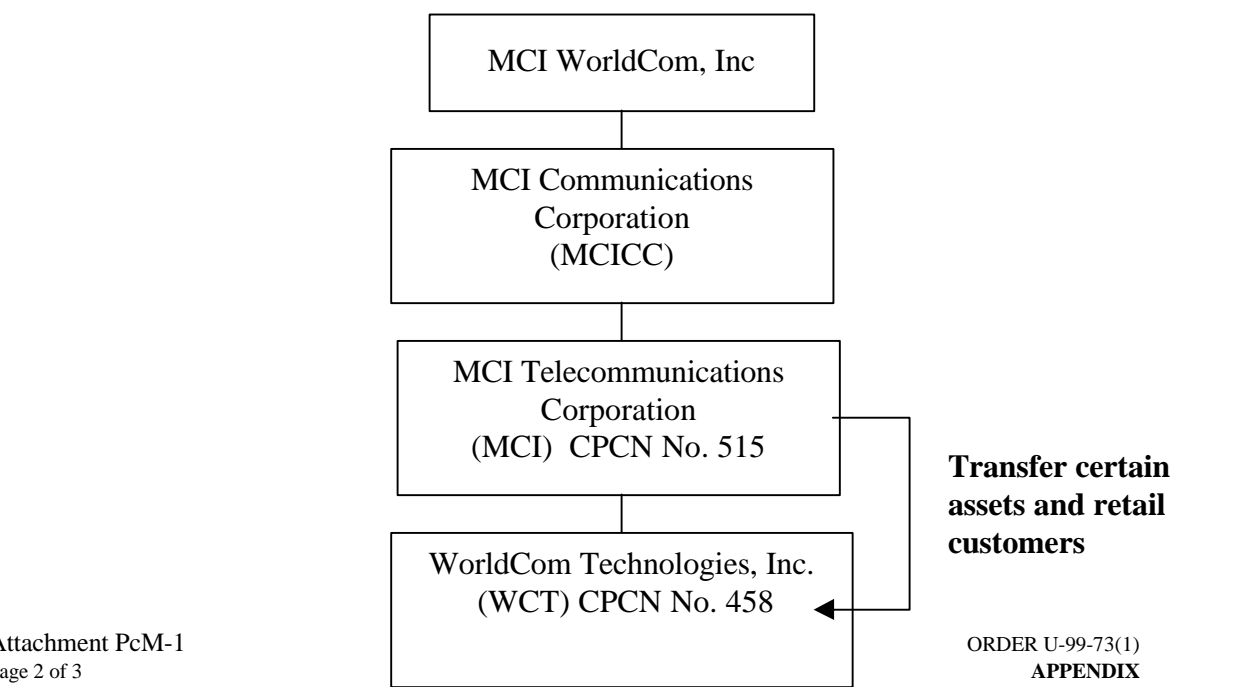
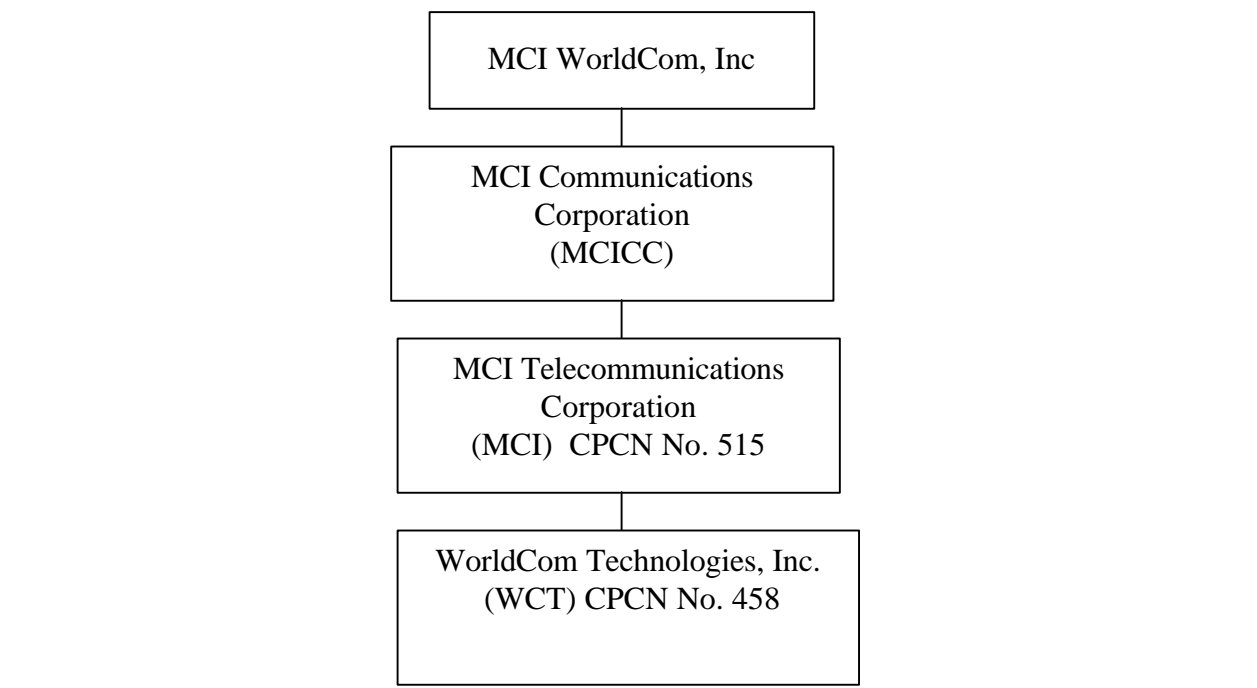
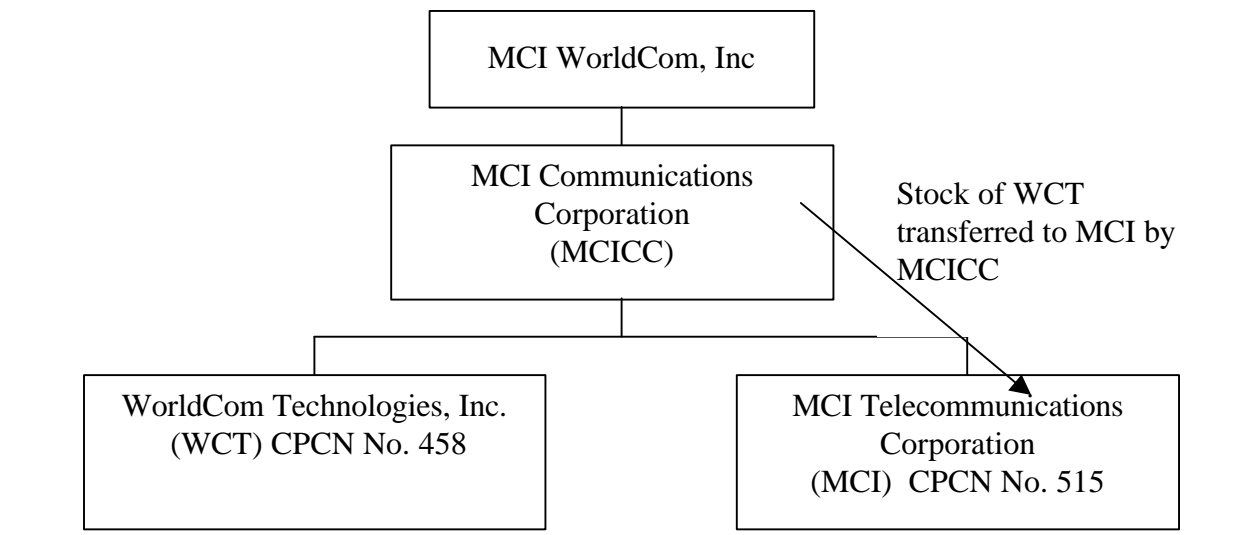
<sup>2</sup> In the Matter of the Application by MCI TELECOMMUNICATIONS CORPORATION for a Certificate of Public Convenience and Necessity To Operate as a Telecommunications (Intrastate Interexchange) Public Utility within Alaska

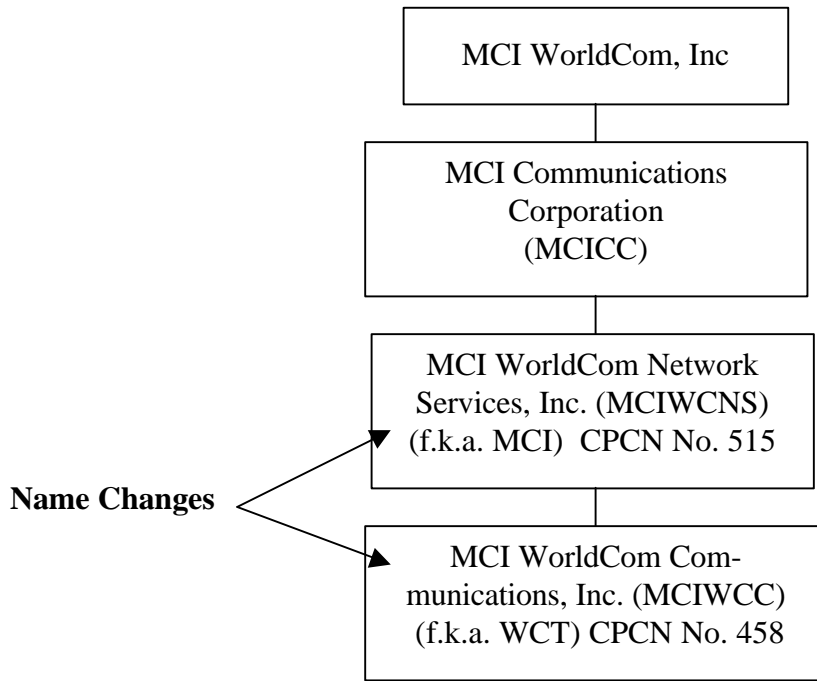
## Pre-Reorganization



## Reorganization Steps








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### Post-Reorganization

