

Decision 97-09-104 September 24, 1997

SEP 24 1997

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of WorldCom, Inc. (U-5378-C), MFS  
Intelenet of California, Inc. (U-5397-C) and  
WorldCom Technologies, Inc. for Authority to  
Reorganize and for Related Transactions.

Application 97-07-023  
(Filed July 22, 1997)

**ORIGINAL**

**OPINION**

**1. Summary**

WorldCom, Inc., a publicly held corporation authorized to provide telecommunications services in 48 states, including California, seeks authority, along with certain of its subsidiary and affiliate companies, to reorganize its corporate structure in order to consolidate its services in California in a wholly owned subsidiary company called WorldCom Technologies, Inc. The application is granted.

**2. Background**

WorldCom, Inc., with its subsidiaries, is one of the largest telecommunications companies in the United States, providing services to business, government, other telecommunications companies and residential customers through its network of fiber optic cables, digital microwave, and satellite earth stations. The company last year acquired MFS Communications Company, Inc., in a transaction approved by this Commission in Decision (D.) 96-12-058 (December 20, 1996). The combined companies have the capability to provide customers with local, long distance, Internet, data and international communications services over their own transmission facilities.

WorldCom Technologies, formerly known as MFS Intelenet, Inc., is a Delaware corporation authorized to conduct business in California. It is an intermediate subsidiary between MFS Communications Company, Inc., and MFS Intelenet of California. WorldCom Technologies now functions as a holding company and does not directly provide telecommunications services in any state. However, it does provide

interexchange service in 49 states through separate operating subsidiaries, 24 of which also are authorized to provide local exchange service.

MFS Intelenet of California is a wholly owned subsidiary of WorldCom Technologies and provides telecommunications services directly to the public in California. It is authorized to provide a full range of interexchange and local exchange services.

Applicants state that the growth of WorldCom, Inc., has been fueled by the acquisition over time of nearly 100 companies, including more than 75 telecommunications providers. Applicants state that an already complex corporate structure was further complicated by the acquisition of MFS Communications Company last year, which added more than 50 regulated corporations to the WorldCom organization. The current application would reorganize the company into a single holding company with fewer regulated subsidiaries. According to applicants, the rapid growth of WorldCom, Inc.

"...has created an unwieldy web of intercorporate relationships, and a confusing patchwork of regulatory authority. The resulting complexity has made administration unnecessarily burdensome for both WorldCom and the regulatory agencies that regulate WorldCom. By reorganizing into a single holding company with far fewer regulated subsidiaries, WorldCom hopes to simplify its managerial tasks as well as the burden on regulators. The consolidation also will enable the WorldCom Companies to operate more efficiently and effectively by eliminating a number of redundant administrative functions." (Application, at 11.)

Approval of the corporate reorganization and transfer of authority is sought pursuant to Public Utilities Code §§ 851-854, which require Commission approval of a transfer of control or assets of a regulated utility.

### **3. Nature of the Reorganization**

Those phases of the reorganization for which approval is sought in this application<sup>1</sup> are described as three aspects of the restructuring: (1) request for approval of a pro forma transfer of control of WorldCom Technologies; (2) request for authority to transfer the operating authority of WorldCom, Inc., to WorldCom Technologies, and (3) request for authority to merge MFS Intelenet of California into WorldCom Technologies.

#### ***3.1 Transfer of Control***

WorldCom Technologies now is a wholly owned subsidiary of MFS Network Technologies. The latter company is a non-regulated entity that operates as a holding company and service integrator. As one aspect of the reorganization, applicants ask approval to remove MFS Network Technologies from the chain of corporate ownership of WorldCom Technologies by transferring control of WorldCom Technologies to MFS Communications Company, Inc., the corporate parent of MFS Network Technologies. MFS Network Technologies would become an affiliate of WorldCom Technologies, and WorldCom Technologies then would report directly to its new parent company, MFS Communications Company.

#### ***3.2 Transfer of Operating Authority***

As another aspect of the reorganization, applicants ask to transfer the certificate of public convenience and necessity of WorldCom, Inc. (Identification Number U-5378-C), and telecommunications-related assets to WorldCom Technologies. After the transfer, WorldCom, Inc., will cease to provide telecommunications services to consumers in California and will function exclusively as a holding company.

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<sup>1</sup> Applicants state that the contemplated changes will affect a number of WorldCom companies not named in this application because those other companies are not regulated by the Commission. One such entity affected, for example, is MFS Transportation Systems, Inc., a construction company that is a wholly owned subsidiary of MFS Network Technologies, Inc.

WorldCom Technologies would assume the WorldCom, Inc., operations and would provide telecommunications services to WorldCom's customers in California.

Applicants state that the "roll-down" of the WorldCom operations to WorldCom Technologies will have no adverse impact on California consumers. WorldCom Technologies will file a new tariff that will incorporate all WorldCom, Inc., services at the same rates, terms and conditions that are currently available. WorldCom Technologies will serve WorldCom's current customers using the same network, billing systems and customer service operations that currently exist.

### ***3.3 Authority for Merger***

As a third aspect of the reorganizations, applicants seek authority to merge MFS Intelenet of California into WorldCom Technologies. Applicants propose that MFS Intelenet's authority to provide interexchange services in California be transferred to WorldCom Technologies, along with all of MFS Intelenet's assets. After the merger, MFS Intelenet of California would cease to exist, and all of its customers would be served by WorldCom Technologies pursuant to contracts and tariffs that would offer the same rates, terms and conditions that are currently available. WorldCom Technologies will file a new tariff incorporating those rates, terms and conditions.

Applicants state that the merger is a pro forma one with no direct impact on consumers in California. WorldCom Technologies and MFS Intelenet are managed by the same telecommunications personnel, and day-to-day operations would continue as they have in the past. Affected customers would be given notice of the change in name of their telecommunications provider. There would be no change in the ownership or control of WorldCom Technologies, and its business plan and operations in California would not be affected. Service would continue to be provided using the same network, billing systems and customer service operations as are used by MFS Intelenet.

### ***3.4 Tariff Filings***

In order to complete the over-all transition, applicants state that WorldCom Technologies will file a new tariff that incorporates all of the services currently offered by both WorldCom, Inc., and by MFS Intelenet of California, as well as the rates, terms

and conditions that are currently available. Upon approval of the tariffs of WorldCom Technologies, WorldCom, Inc., and MFS Intelenet of California will withdraw their existing tariffs and will cease to offer service to customers in California.

*4. Discussion*

Applicants will be engaging in a series of transactions designed to consolidate operations in a way that simplifies regulatory oversight and corporate administration. WorldCom Technologies will become one of the WorldCom companies' primary operating entities. The proposed transactions are designed to set up WorldCom Technologies in that role with all of the necessary operating assets and regulatory authority to provide intrastate, interstate and international telecommunications services nationwide. Applicants state that the reorganization will position WorldCom to become an even more effective competitor in California.

No protests to the application have been filed, and the time for filing protests has passed.

Financial statements and Securities and Exchange Commission filings submitted with the application show that WorldCom, Inc., and WorldCom Technologies have significant financial resources for providing telecommunications services in California. Since the same personnel now providing WorldCom and MFS Intelenet services will be providing the services of WorldCom Technologies, it can be seen that customer service will not be adversely affected. No facilities will be modified or built in connection with the authority sought in the application. Counsel for applicants states that neither WorldCom, Inc., nor MFS Intelenet of California has been the subject of investigation by a state or federal agency for alleged "slamming," or unauthorized transfer of customers.

WorldCom, Inc. (U-5378-C) now has local resale authority within the territories of GTE California Incorporated (GTEC) and Pacific Bell, and is authorized to provide

both resale and facilities-based interLATA and intraLATA service.<sup>2</sup> MFS Intelenet of California, Inc. (U-5379-C) has local resale and facilities-based authority within the territories of GTEC and Pacific Bell, and is authorized to provide both resale and facilities-based interLATA and intraLATA service. Thus, there remains the issue of transferring the operating authority of these two entities to WorldCom Technologies.

Since WorldCom Technologies will, in effect, be a new telecommunications provider in California, we normally would grant it a new certificate of public convenience and necessity (and utility identification number) and provide for withdrawal of the operating authority of WorldCom, Inc., and MFS Intelenet once the WorldCom Technologies authority takes effect. We also would require that current customers of WorldCom, Inc., and MFS Intelenet be notified in writing of the change in their telecommunications provider. The requirement for a new certificate and identification number, along with customer notification, is intended to minimize confusion when customers encounter the name of a new service provider.

In this case, however, applicants request that WorldCom Technologies be permitted to operate under the existing identification number now held by WorldCom, Inc. (U-5378-C) because this will simplify record-keeping within the company. Since customers will continue to be dealing with "WorldCom," customer confusion is likely to be minimal, and we see no reason that applicants' request should not be granted. Our order today provides that WorldCom Technologies may operate under the U-5378-C identification number. However, we will require that all customers of WorldCom, Inc., and MFS Intelenet be notified of the change in the name of their telecommunications provider.

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<sup>2</sup> California is divided into Local Access and Transport Areas (LATAs) of various sizes, each containing numerous local telephone exchanges. "InterLATA" describes telecommunications service originating in one LATA and terminating in another. "IntraLATA" describes telecommunications service originating and terminating within a single LATA.

### **Findings of Fact**

1. WorldCom, Inc., with its subsidiaries, is one of the largest telecommunications companies in the country.
2. To better organize its telecommunications business in California, applicants seek approval of part of a reorganization involving two regulated companies.
3. Under the reorganization, WorldCom Technologies, Inc., would report directly to MFS Communications Company.
4. WorldCom, Inc., would transfer its operating authority and telecommunications assets to WorldCom Technologies.
5. MFS Intelenet of California, Inc., would transfer its operating authority and assets to WorldCom Technologies.
6. WorldCom Technologies would file a new tariff that incorporates all of the services currently offered by WorldCom, Inc., and by MFS Intelenet of California, with no change in the rates, terms and conditions currently available.
7. After the reorganization, WorldCom, Inc., and MFS Intelenet of California would cease to be telecommunications service providers in California.
8. No protests to the application have been filed.

### **Conclusions of Law**

1. Applicants seek approval of the transfer of control and assets of the regulated entities pursuant to PU Code §§ 851-854.
2. For good cause shown, WorldCom, Inc., should be permitted to transfer its operating authority and utility identification number (U-5378-C) to WorldCom Technologies, Inc.
3. Both WorldCom, Inc., and MFS Intelenet of California, Inc., should be permitted to transfer assets and operating authority, as set forth more fully in the application, to WorldCom Technologies, Inc.
4. Applicants should be required to notify all customers of the regulated entities of the reorganization and the name of the telecommunications provider that now will serve those customers.

5. To expedite the reorganization, this order should be made effective immediately.
6. The application should be granted to the extent set forth below.

## O R D E R

### IT IS ORDERED that:

1. The application for authority to reorganize and for related transactions by WorldCom, Inc. (U-5378-C), MFS Intelenet of California, Inc. (U-5397-C) and WorldCom Technologies, Inc. (collectively, applicants), is granted.
2. WorldCom, Inc., is authorized to transfer its certificate of public convenience and necessity, and its utility identification number (U-5378-C) to WorldCom Technologies, Inc.
3. WorldCom Technologies, Inc., is authorized to provide the telecommunications services previously authorized for WorldCom, Inc., and MFS Intelenet of California, Inc.
4. Within 30 days of the reorganization contemplated in this application, WorldCom Technologies, Inc., shall file a tariff incorporating all of the services currently offered by WorldCom, Inc., and by MFS Intelenet of California, Inc., with the same rates, terms and conditions that are currently available.
5. Upon filing of the new tariff and start of service by WorldCom Technologies, Inc., WorldCom, Inc., and MFS Intelenet of California, Inc., shall withdraw their tariffs and cease to provide telecommunications services in California.
6. The utility identification number of MFS Intelenet of California, Inc. (U-5379-C) shall be canceled upon filing of tariffs and start of service by WorldCom Technologies, Inc.
7. Applicants shall notify the Director of the Commission's Telecommunications Division in writing of the actual date of transfer of control, as authorized herein, within 10 days after completion of the transfer. A true copy of the instruments of transfer shall be attached to the notification.



8. Applicant shall notify all customers affected by the transfer of control and advise them that terms, conditions, and rates for service are unchanged.

9. Applicants shall make all books and records available for review and inspection upon Commission staff request.

10. The utility identification number assigned to WorldCom Technologies, Inc. (U-5378-C) shall be included in the caption of all original filings with this Commission, and shall be included in the title of other pleadings filed in existing cases.

11. The authority granted in this order shall expire if not exercised within 12 months after the effective date of this order.

12. Application 97-07-023 is closed.

This order is effective today.

Dated September 24, 1997, at San Francisco, California.

JESSIE J. KNIGHT, JR.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
RICHARD A. BILAS  
Commissioners

President P. Gregory Conlon,  
being necessarily absent, did not  
participate.