

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF MCI COMMUNICATIONS )  
CORPORATION, MCI FINANCIAL MANAGEMENT )  
CORPORATION, MCI TELECOMMUNICATIONS )  
CORPORATION, AND SOUTHERNNET, INC. FOR ) CASE NO. 92-015  
AN ORDER APPROVING RESTRUCTURING AND TO )  
CARRY OUT CERTAIN TRANSACTIONS IN )  
CONNECTION THEREWITH )

O R D E R

On January 3, 1992, MCI Communications Corporation ("MCI"), MCI Financial Management Corporation ("MCI Financial"), MCI Telecommunications Corporation ("MCI Telecommunications"), and SouthernNet, Inc. ("SouthernNet"), hereinafter collectively referred to as Joint Applicants, filed a petition pursuant to KRS 278.020 requesting approval of MCI's restructuring of its corporate organization and for approval of the performance of any actions reasonably necessary or appropriate to carry out the restructure ("proposed transaction"). Joint Applicants request the Commission to issue an Order determining that approval of the proposed transaction is not required pursuant to KRS 278.020(4) and (5), or in the alternative, that approval be granted if determined to be necessary or within the scope of the statute.

MCI, a Delaware corporation, is the parent company of MCI Telecommunications and MCI Financial. MCI Telecommunications, the wholly owned subsidiary of MCI, is subject to the jurisdiction of this Commission as a facilities based certificate holder. MCI

Financial, also a wholly owned subsidiary of MCI, is not a corporation under the jurisdiction of this Commission. However, Telecom USA, Inc. ("Telecom"), wholly owned by MCI Financial, is the parent corporation of SouthernNet, a Georgia corporation, which is subject to the jurisdiction of this Commission as a reseller certificate holder.

The proposed transaction will consist of the transfer of three subsidiaries of Telecom. Two of the subsidiaries, SouthernNet, a jurisdictional utility and SouthernNet of South Carolina ("SouthernNet SC"), a non-jurisdictional company, will be transferred to MCI Financial. A third subsidiary, SouthernNet Systems, Inc. ("SouthernNet Systems"), a non-jurisdictional company will be transferred to MCI Telecommunications. Telecom will be dissolved after these subsidiaries are transferred.

Pursuant to KRS 278.020(4), persons under the jurisdiction of the Commission are required to receive Commission approval prior to the acquisition or transfer of ownership or control of a utility. KRS 278.020(5) prohibits any entity from acquiring control of any utility under the jurisdiction of the Commission without prior approval. KRS 278.020(6) exempts utilities from the provisions of (5) if the acquisition of control of the utility is for purposes of corporate reorganization. Joint Applicants assert that the proposed transaction falls within the corporation reorganization exemption.

Joint Applicants state that the proposed reorganization will be transparent to SouthernNet subscribers. The financial, technical, and managerial abilities of SoutherNet will not be

affected. SouthernNet will continue to be subject to the jurisdiction of this Commission. Service by SouthernNet will continue to be provided under the current rates, terms, and conditions of its interstate and Kentucky intrastate tariffs.


The Commission finds that KRS 278.020(4) is applicable to the proposed transaction as set forth in the joint application because it constitutes a transfer of ownership and control of a jurisdictional utility. PSC v. Cities of Southgate, etc., 268 S.W.2d 19 (Ky. 1954). The Commission finds the proposed transaction is consistent with the requirements of KRS 278.020(4) and the public interest and, therefore, should be approved. SouthernNet will continue to have the financial, technical, and managerial abilities to provide reasonable service. The Commission further finds that the proposed reorganization is exempt from the provisions of KRS 278.020(5) because it constitutes a corporate reorganization as defined by KRS 278.020(6).

IT IS THEREFORE ORDERED that:

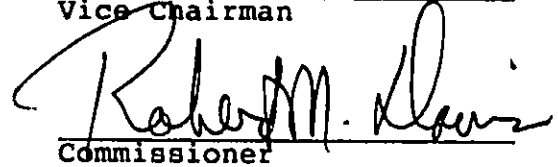
1. The proposed transaction be and hereby is approved.
2. Within 30 days of the closing of the proposed transaction, Joint Applicants shall give notice to the Commission of the closing.
3. Within 30 days of the closing of the proposed transaction, SouthernNet shall file its tariff sheets in accordance with 807 KAR 5:011.
4. If the proposed transaction does not occur, the Joint Applicants shall notify the Commission.

Done at Frankfort, Kentucky, this 3rd day of February, 1992.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director