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*Via UPS Delivery*

Mr. Jeff R. Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602-8294

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PUBLIC SERVICE  
COMMISSION

**Re: Notification of DSLnet Communications, LLC, and DIECA Communications, Inc.  
Concerning Certain *Pro Forma* Intra-Corporate Transactions**

Dear Mr. Derouen:

DSLnet Communications, LLC (“DSLnet”) and DIECA Communications, Inc. d/b/a Covad Communications Company (“DIECA”; and together with DSLnet, the “Parties”), notify the Kentucky Public Service Commission (“Commission”) of a *pro forma* change in corporate structure whereby DSLnet will merge into DIECA. In the same transaction, the Parties’ affiliates MegaPath, Inc. (“MegaPath”), Covad Communications Company (“CCC”), and DSLnet Communications VA, Inc. (“DSLnet-VA”),<sup>1</sup> (DIECA, DSLnet, DSLnet-VA, CCC and MegaPath, collectively, the “MegaPath Group”) will also be merged into DIECA with DIECA surviving (the “Transactions”).<sup>2</sup> The Transactions are being undertaken merely as an internal *pro forma* reorganization of the companies into DIECA in order to streamline operations under a single “MegaPath” branded company combining the individual operations of the various affiliated entities.<sup>3</sup>

As a result of the Transactions, DSLnet’s, DSLnet-VA’s, MegaPath’s, and CCC’s customers and the assets to support the provision of services to those customers will be transferred to DIECA,

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<sup>1</sup> CCC and DSLnet-VA hold authorizations to provide telecommunications services in other jurisdictions, but do not hold such authorizations in Kentucky. MegaPath does not provide regulated telecommunications services in any jurisdiction.

<sup>2</sup> While the Parties currently expect the transactions described herein to be accomplished through *pro forma* corporate mergers, given the tax and operational consequences of the Transactions, the Parties may alternatively elect to accomplish the transactions through a sale of assets rather than through mergers, or through a combination of both.

<sup>3</sup> DIECA expects to undertake a name change to effectuate the “MegaPath” brand name. A separate filing with the Commission will be made with respect to that name change.

which will become the service provider for those customers. As described below, because the rates, terms or conditions of the services being received by customers will not change as a result of the assignment, the Transactions will be virtually transparent to customers of DSLnet in terms of the services that those customers receive. Since DIECA already holds a certificate of public convenience and necessity (“Certificate”), the Certificate of DSLnet is not being transferred to DIECA and, therefore, DSLnet requests that its Certificate and tariffs be cancelled upon notification by the Parties that the Transactions were completed.<sup>4</sup>

It is the Parties’ understanding that Commission approval is not required to complete the Transactions described herein. Accordingly, the Parties submit this letter for informational purposes only to ensure the continuing accuracy of the Commission’s records. In support of this filing, the Parties provide the following information:

### **Description of the Parties**

#### **A. MegaPath, Inc. and DSLnet Communications, LLC**

MegaPath Inc. is a Delaware corporation, and is the parent company of DSLnet Communications, LLC. MegaPath Inc. is a wholly-owned subsidiary of CCGI Holding Corporation. MegaPath is a provider of a variety of managed Internet Protocol (“IP”) services including cable and satellite system broadband Internet access, mobility services such as digital certificates, global remote access, personal firewalls, and remote access virtual private networks (“VPN”), and security services. MegaPath does not currently offer any regulated telecommunications services and therefore does not hold any telecommunications authorizations from the Federal Communications Commission (“FCC”) or any state regulatory authority.

DSLnet Communications, LLC is a Delaware limited liability company. DSLnet provides highspeed Internet access services. DSLnet is authorized to provide intrastate telecommunications services in forty-seven (47) states and the District of Columbia, and DSLnet’s affiliate DSLnet Communications VA, Inc. is authorized to provide intrastate telecommunications services in Virginia. In Kentucky, DSLnet is authorized to provide local exchange and long distance services pursuant to Certificate No. 60-165 issued on March 13, 1999. DSLnet is also authorized by the FCC to provide international and domestic interstate telecommunications services as a non-dominant carrier.

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<sup>4</sup> The Parties intend for the Transactions to be completed in the fourth quarter 2011 with an effective date of December 31, 2011 (“Effective Date”), which is the rationale for requesting that the DSLnet certificates not be relinquished until the Parties have notified the Commission after the Transactions are completed. The Parties believe that use of an Effective Date will minimize customer confusion and enable consistent messaging to customers about this *pro forma* event.

**B. Covad Communications Company and DIECA Communications, Inc.**

Covad Communications Group, Inc. (“Covad”) is a Delaware corporation that owns Covad Communications Company (“CCC”), a California corporation, and DIECA Communications, Inc. (“DIECA”), a Virginia corporation. Covad, in turn, is a wholly-owned subsidiary of CCGI Holding Corporation. Covad is a leading nationwide provider of integrated voice and data communications. Through its operating companies (CCC and DIECA), the company offers DSL, Voice Over IP, T1, Ethernet, Web hosting, managed security, IP and dial-up, wireless broadband, and bundled voice and data services directly through Covad’s network and through Internet Service Providers, value-added resellers, telecommunications carriers and affinity groups to small and medium-sized businesses and home users. Covad broadband services are currently available across the nation in 44 states and 235 Metropolitan Statistical Areas (“MSAs”) and can be purchased by more than 57 million homes and businesses, which represent over 50 percent of all US homes and businesses.

In Maryland, DIECA is authorized to provide local and long distance services pursuant to approval issued on July 8, 1998. DIECA is also authorized by the FCC to provide international and domestic interstate telecommunications services as a non-dominant carrier. CCC does not currently offer any regulated telecommunications services in Kentucky and therefore does not hold any telecommunications authorizations from the Commission.

**Description of the Transactions**

All of the entities involved in this notice are indirect, wholly-owned subsidiaries of CCGI Holding Corporation, and are already operating under a common management structure. The Parties intend to complete a series of *pro forma* internal restructuring merger transactions through which DIECA will acquire the assets of MegaPath, DSLnet, DSLnet-VA, and CCC, including their respective customer bases and substantially all of their assets used in the provision of telecommunications services. Upon consummation of the Transactions, DSLnet will surrender its CPCN. For the Commission’s convenience, an organizational chart demonstrating the Transactions is attached hereto as Attachment 1. As a result of the Transactions, DIECA will replace DSLnet as the service provider in Kentucky. Subject to receipt of required regulatory approvals, the Transactions are expected to close in the fourth quarter this year.

The Parties emphasize that although the Transactions will involve a transfer of customers, immediately following the Transactions, all of those customers will continue to receive service from DIECA under the same rates, terms and conditions as the services currently provided. The network used to provide services to customers for DIECA and DSLnet are one in the same; as well as the management, operational and billing personnel and processes. As a result, the Transactions will be almost seamless and virtually transparent to customers served by MegaPath, CCC, DSLnet and DSLnet-VA in terms of the services that they currently receive. DSLnet does not currently provide intrastate telecommunications services to its Kentucky customers, but rather provides jurisdictionally interstate services under contract. As such, the Parties do not believe that the

Commission's slamming rules are applicable with respect to the Transactions. Nonetheless, the parties have already begun to inform customers of the pending change pursuant to their contractual notification requirements. Moreover, because DIECA is acquiring all of the assets of MegaPath, DSLnet, DSLnet-VA and CCC necessary to provide service to the transferred customers, DIECA will have all of the assets required to continue to provide high-quality services to the customers it acquires.

DIECA is well-qualified to provide service to MegaPath, DSLnet, DSLnet-VA and CCC customers. DIECA currently provides local and long distances telecommunications services in 37 states and the District of Columbia. DIECA's operations will continue to be overseen by the same well-qualified management team with substantial telecommunications experience and technical expertise.

### **Public Interest Considerations**

The Transactions described above will serve the public interest by ensuring that the assigned customers enjoy continuity of high-quality services. In particular, the assignment of MegaPath's, CCC's, DSLnet's and DSLnet-VA's customers, together with the transfer of other assets required to serve those customers, will ensure that the customers continue to receive uninterrupted services. The customers will be served by a carrier with significant technical, managerial and financial resources. The Transactions are intended to streamline the operations of the companies, and thereby create operational efficiencies.

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An original and four (4) copies of this letter are enclosed for filing. Should you have any questions regarding this filing, please do not hesitate to contact the undersigned.

Respectfully submitted,



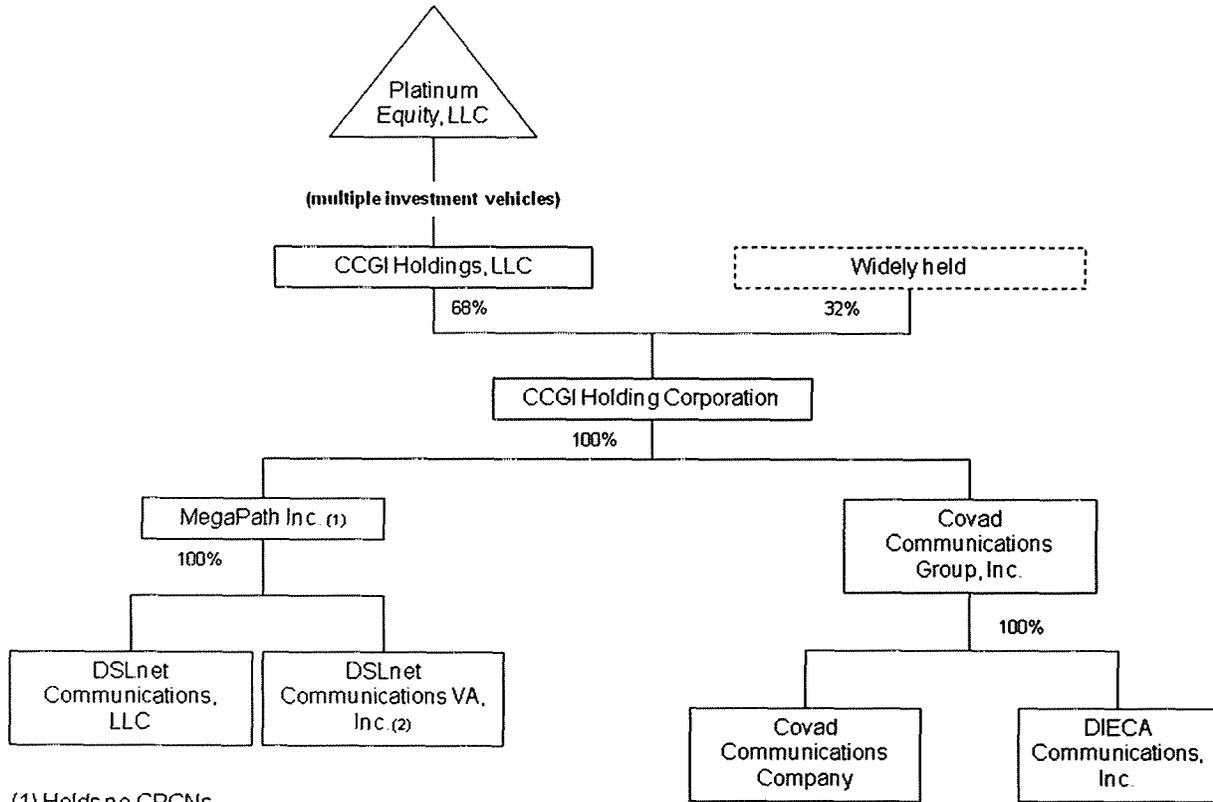
Katherine K. Mudge

Attachment

**Attachment 1**

**Pre- and Post-Transaction Corporate Organizational Structure**

## Current Organizational Chart



(1) Holds no CPCNs

(2) Holds a CPCN in Virginia only

# Depiction of Mergers

