

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

IN RE:

April 24, 2006

PETITION OF MCI, INC. FOR APPROVAL)	
OF THE MERGER AND TRANSFER OF)	DOCKET NO. 05-00248
CERTIFICATION OF CONVENIENCE)	
AND NECESSITY OF SOUTHERNET, INC.)	
TO TELECONNECT LONG DISTANCE)	
SERVICES AND SYSTEMS CO.)	

**ORDER APPROVING TRANSFER OF AUTHORITY AND CUSTOMER NOTIFICATION
LETTER**

This matter came before Chairman Ron Jones, Director Pat Miller and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on November 21, 2005 for consideration of the *Petition for Approval of Merger and Transfer of Certificate of Public Convenience and Necessity* ("Petition") filed by MCI, Inc. ("MCI" or the "Petitioner") on behalf of its subsidiaries Southernnet, Inc. d/b/a Teleconnect and Telecom*USA ("Southernnet") and Teleconnect Long Distance Services and Systems Co. ("Teleconnect") on September 9, 2005. In its *Petition*, MCI requests Authority approval of a merger of Southernnet into Teleconnect and a transfer of Southernnet's Certificate of Public Convenience and Necessity ("CCN") to Teleconnect.

Background

MCI is a Delaware corporation and through various operating subsidiaries, including Southernnet and Teleconnect, provides international and domestic interstate, intrastate and local telecommunications services. MCI neither offers any services directly to the public nor holds any CCNs issued by the Authority.

Southernnet is a Georgia corporation and is a reseller of interexchange services in 10 states, including Tennessee. Southernnet, which operates under the Telecom*USA brand, was issued a CCN as an interexchange telecommunications reseller and/or operator service provider for state-wide service by the Tennessee Public Service Commission in Docket No. 95-03311 on November 10, 1995. On April 21, 1998, the Authority issued an Order approving the Petition of Southernnet, Inc. d/b/a Teleconnect and Telecom*USA to amend its CCN to reflect the full name of the certificated entity as Southernnet, Inc. d/b/a Teleconnect and Telecom*USA.

Teleconnect, an Iowa corporation, is authorized to provide resold interexchange service in 37 states and also operates under the Telecom*USA brand.

The Petition

On September 9, 2005, MCI filed with the Authority a *Petition* requesting approval of the merger of Southernnet into Teleconnect and the transfer of Southernnet's CCN to Teleconnect pursuant to Tenn. Code Ann. § 65-4-113 (2004). The Petitioner states that the merger, which is expected to be completed by December 31, 2005, is another step in MCI's effort to streamline its corporate structure, achieve cost savings and eliminate administrative duplication, which will allow the company to operate in a more efficient manner. MCI requests that Southernnet's existing CCN be transferred to Teleconnect so that Teleconnect may commence providing telecommunication services to Southernnet's customers immediately upon consummation of the merger.

According to the *Petition*, the merger will result in Southernnet's assets, which are primarily operator service and transactional services and also includes approximately eight presubscribed customers, being merged with those of Teleconnect. MCI, the parent company of both companies, will retain control of the surviving subsidiary, Teleconnect. The Petitioner states that Southernnet predominately provides service on a transaction basis using dial around numbers such as 1010321 and 1010220, and customers using such services do not have to be presubscribed to Southernnet to take advantage of the offerings. In addition, the Petitioner maintains that the merger and subsequent

transfer of the relatively few presubscribed customers will not adversely affect the provision of interexchange services in Tennessee. The Petitioner plans to send affected customers notice of the merger in accordance with Authority Rules.

Upon consummation of the merger, the Petitioner states that Teleconnect will file revised tariffs to reflect the Teleconnect name. The Petitioner maintains that no changes will be made to the rates, terms and conditions of service offerings; only the name will change, and all branding will still remain Telecom*USA, making the merger transparent to Southernnet customers and anyone utilizing dial-around services. According to the *Petition*, Teleconnect will assume all of the financial, managerial, and technical capabilities of Southernnet and will be as fully qualified as Southernnet to efficiently perform the services described in Southernnet's CCN.

The *Petition* states that this transaction serves the public interest by improving the Company's overall efficiency, and enhancing the Company's ability to compete in Tennessee and elsewhere. The Petitioner maintains that customers in Tennessee will benefit from a greater number of product and service options, as well as more efficient prices resulting from the enhanced competitive ability of the streamlined company. According to the *Petition*, the reorganization will not cause a change in the ownership, financial condition, or services of the utility entities.

November 21, 2005 Authority Conference

Tenn. Code Ann. § 65-4-113 (2004) requires a public utility to obtain TRA approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) (2004) states:

No public utility, as defined §65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) (2004) provides the standards by which the TRA considers an application for transfer of authority, as follows:

Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. The authority shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

Regarding the transfer of customer base, TRA Rule 1220-4-2-.56(2)(d) states:

(d) In the case of a transfer of a customer base between two or more telecommunications service providers, the Authority, upon petition by the acquiring telecommunications service provider, may deem that sufficient notice has been given and approval received from the affected customers when the following criteria are met:

1. The acquiring telecommunications service provider shall provide the Authority a copy of the self-certification letter it shall file with the Federal Communications Commission ("FCC"), as required in CC Docket No. 00-257, certifying that the customer transfer is in compliance with all FCC regulations governing such transactions.

2. A notification letter, pre-approved by the Authority, shall be mailed by the current provider of telecommunications service to its customers describing the customer transfer and explaining that unless the customer selects another telecommunications service provider, the customers' local or long distance service will be transferred to the acquiring telecommunications service provider by a date specified in the notification letter. The notification letter shall be mailed by U.S. First Class Postage, with the logo or name of the current provider displayed on both the letterhead and the exterior envelope, no less than thirty (30) days prior to the actual customer transfer. For good cause shown, the Authority may waive any requirement of this part or order any requirement thereof to be fulfilled by the acquiring provider. Good cause includes, but is not limited to, evidence that the current provider is no longer providing service in Tennessee.

3. The acquiring telecommunications service provider agrees to pay any fees charged to the customer associated with changing service to the acquiring telecommunications service provider. The notification letter required in 1220-4-2-.56(2)(d)(2) shall inform the customer of this provision.

4. The acquiring telecommunications service provider agrees to provide to the affected customers a thirty (30) day written notice of any rate increase that may affect their service up to ninety (90) days from the date of the transfer of customers. The notification letter mentioned in 1220-4-2-.56(2)(d)(2) shall inform the customer of this provision.

At the regularly scheduled Authority Conference held on November 21, 2005, the voting panel assigned to this docket found that Tenn. Code Ann. § 65-4-113 (2004) applies to the transfer of

Southernnet's CCN and that TRA Rule 1220-4-2-.56(2)(d) applies to the transfer of Southernnet's customers. The panel found that the transfer furthers the public interest because the consolidation will not reduce the number of large scale providers in the state, and according to the Petitioner, the merger will significantly reduce the Company's administrative burden and simplify MCI's corporate structure thereby increasing the Company's overall efficiency. The panel further found that the customer notification letter should be approved. Based on these findings, the panel voted unanimously to approve the *Petition*.

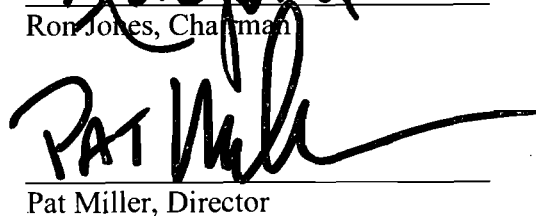
IT IS THEREFORE ORDERED THAT:

1. The transfer of authority of Southernnet, Inc. to Teleconnect Long Distance Services and Systems Co., as described in the *Petition for Approval of Merger and Transfer of Certificate of Public Convenience and Necessity* and discussed herein, is approved.

2. Pursuant to Tenn. Comp. R. & Regs. 1220-4-2-.56(2)(d), the proposed customer notification letter submitted with the *Petition for Approval of Merger and Transfer of Certificate of Public Convenience and Necessity* is approved.



Ron Jones, Chairman



Pat Miller, Director



Sara Kyle, Director