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December 6, 2005

RECEIVED

**BY HAND**

DEC 06 2005

Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

PUBLIC SERVICE  
COMMISSION

**Re: NOTICE OF PLANNED MERGER OF SOUTHERNET, INC. INTO  
TELECONNECT LONG DISTANCE SERVICES AND SYSTEMS CO.**

Dear Ms. O'Donnell:

We are counsel to MCI, Inc. and its indirect subsidiaries Southernnet, Inc. ("Southernnet") and Teleconnect Long Distance Services and Systems Co. ("Teleconnect"). Southernnet and Teleconnect are wholly owned subsidiaries of a non-utility holding company, Telecom\*USA, Inc., which is also an indirect subsidiary of MCI, Inc. The purpose of this letter is to file notice of a planned merger of Southernnet into Teleconnect. This is a notice only filing requiring no action by the Commission.<sup>1</sup> Presubscribed customers will receive actual, advance notice of the merger. See Exhibit 3.

**A. Description of the Merging Companies**

Southernnet and Teleconnect each operate under the Telecom\*USA brand, and are currently authorized to provide resold interexchange service in Kentucky. Both companies offer presubscribed ("1+") services. However, these services have not been actively marketed in Kentucky, so a very small number of customers will be affected. The companies also provide services on a transaction basis using dial around numbers such as 1010321 and 1010220. Customers using these transactional services do not have to be presubscribed to take advantage of these offerings. Teleconnect's original tariff for Kentucky became effective on October 28,

<sup>1</sup> In its June 21, 1996 Order in Administrative Case 359, the Commission determined pursuant to KRS 278.512 and 278.514 to relax various market entry and exit requirements on interexchange carriers. Among other things, the Commission decided that a utility that exits the market, including through merger with another carrier, need not file a formal application but shall advise the Commission by letter requesting withdrawal of its tariff.

2005. This tariff includes rates, terms and conditions for service identical to all Southernnet services currently available to new customers or provided to existing customers in Kentucky.

## **B. Description of the Merger**

The merger is an essential aspect of MCI's continued plans to streamline its corporate structure and allow it to operate in a more efficient manner. The merger will result in Southernnet's assets, which are primarily operator service and transactional services and which include a small number of presubscribed customers, being merged with those of Teleconnect. As shown in Exhibits 1 and 2, Southernnet will be merged into Teleconnect. MCI, the ultimate parent of both companies will retain control of the surviving subsidiary, Teleconnect.

Southernnet currently provides services to a limited number of customers, approximately three in Kentucky on a presubscribed basis. In addition, as discussed above, Southernnet predominately provides service on a transaction basis using dial around numbers such as 1010321 and 1010220. Customers using these transactional services do not have to be presubscribed to Southernnet to take advantage of these offerings, which are typically billed by the customer's local telephone company. Since Teleconnect has already filed a tariff which mirrors the rates for Southernnet's presubscribed services actually provided in Kentucky, the merger and subsequent transfer of the relatively few presubscribed customers will not adversely affect the provision of interexchange services in Kentucky. The affected customers will receive a notice of the merger, a copy of which is attached as Exhibit 3.

After the merger, customers will receive the same services at the same high quality from Teleconnect that they currently receive from Southernnet. No changes will be made to the rates, terms and conditions or service offerings; only the name will change, and all branding will still remain Telecom\*USA, making the merger transparent to the presubscribed customers and to anyone utilizing dial-around services. Since the two companies are corporate affiliates providing the same services and utilizing the same business plan and brand, the merger be seamless and transparent to Southernnet's customers. Southernnet's very few presubscribed Kentucky customers will continue to receive the same services, at the same rates, terms and conditions, and under the same Telecom\*USA brand. Only the name of the company will change.

## **C. Inapplicability of KRS 278.535(2)**

As the discussion above makes clear, Southernnet and Teleconnect are already affiliates providing presubscribed service using a common brand, Telecom\*USA. Teleconnect will be a successor in interest to Southernnet by way of merger. Thus, the two companies are regarded as a single "Telecommunications provider" under Kentucky's statute governing presubscription changes. *See* KRS 278.535 (1)(a). Accordingly, since the merger will not result in a customer being "switched to another provider" under KRS 278.535(2), there is no requirement for Teleconnect to obtain new letters of agency or to third party verify customer authorization for the

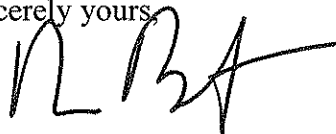
three customers currently served by Southernnet. However, as discussed above these customers will receive written notice of the transaction.

**D. Post-Merger Tariff Cancellation**

After the merger becomes effective the merged entity will cancel the Southernnet tariff and simultaneously begin providing the same services via the Teleconnect tariff already approved by the Commission. The parties intend for the Southernnet tariff to remain effective until the merger actually occurs, at which time a notice of cancellation will be filed.

If there are questions concerning this notice, please call me. Otherwise, please acknowledge this notice by date-stamping the extra copy of this letter and returning it in the enclosed, self-addressed stamped envelope.

Sincerely yours,



Douglas F. Brent  
Counsel for MCI, Inc., Southernnet, Inc., and  
Teleconnect Long Distance Services and Systems  
Co.

cc: Leigh Ann Cox, MCI, Inc.  
Donna McNulty, MCI, Inc.  
Marsha Ward, MCI, Inc.  
David I. Adelman  
Mr. William Feldman

Enclosures (3)

# Current Structure

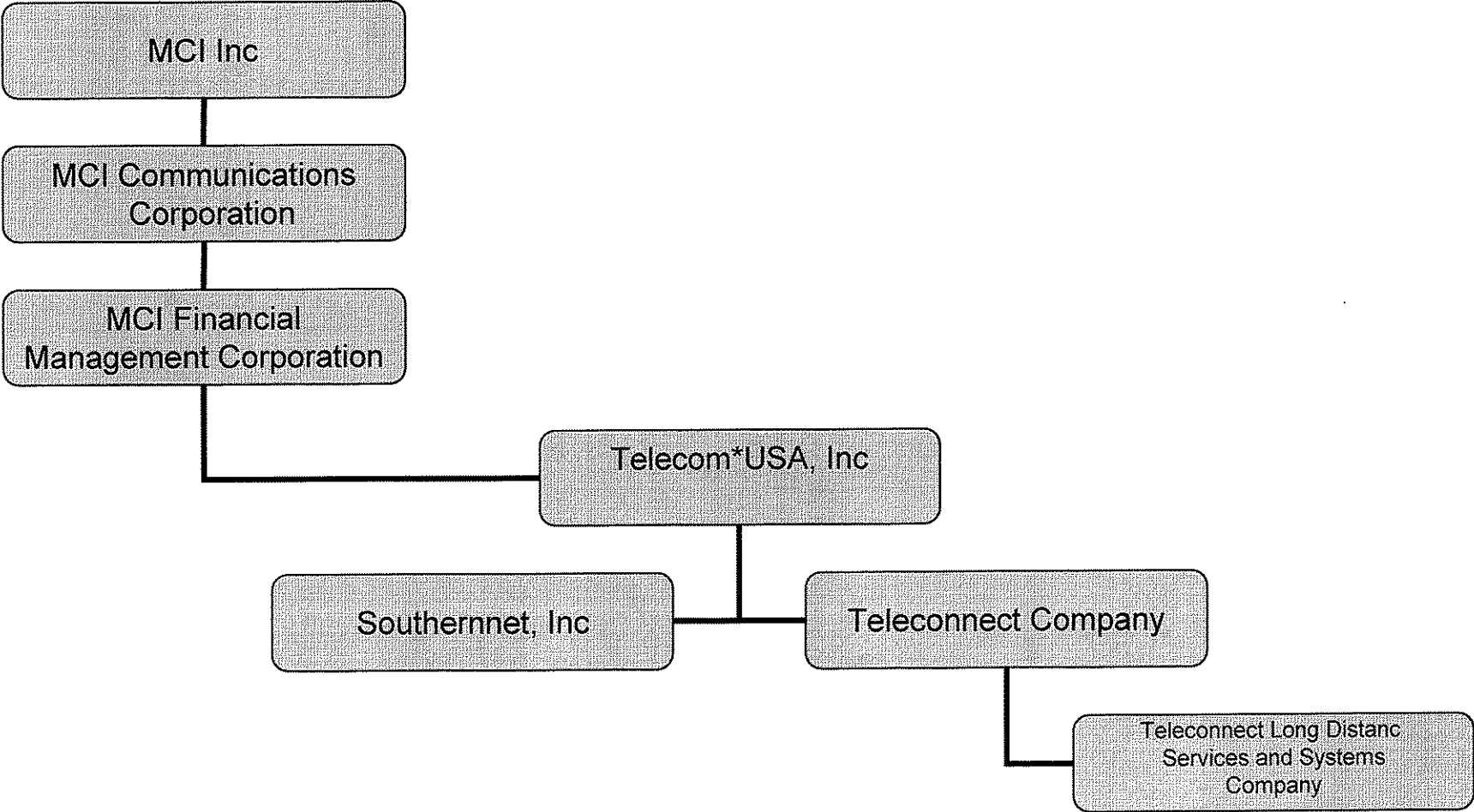


Exhibit 1

**Proposed  
Structure**

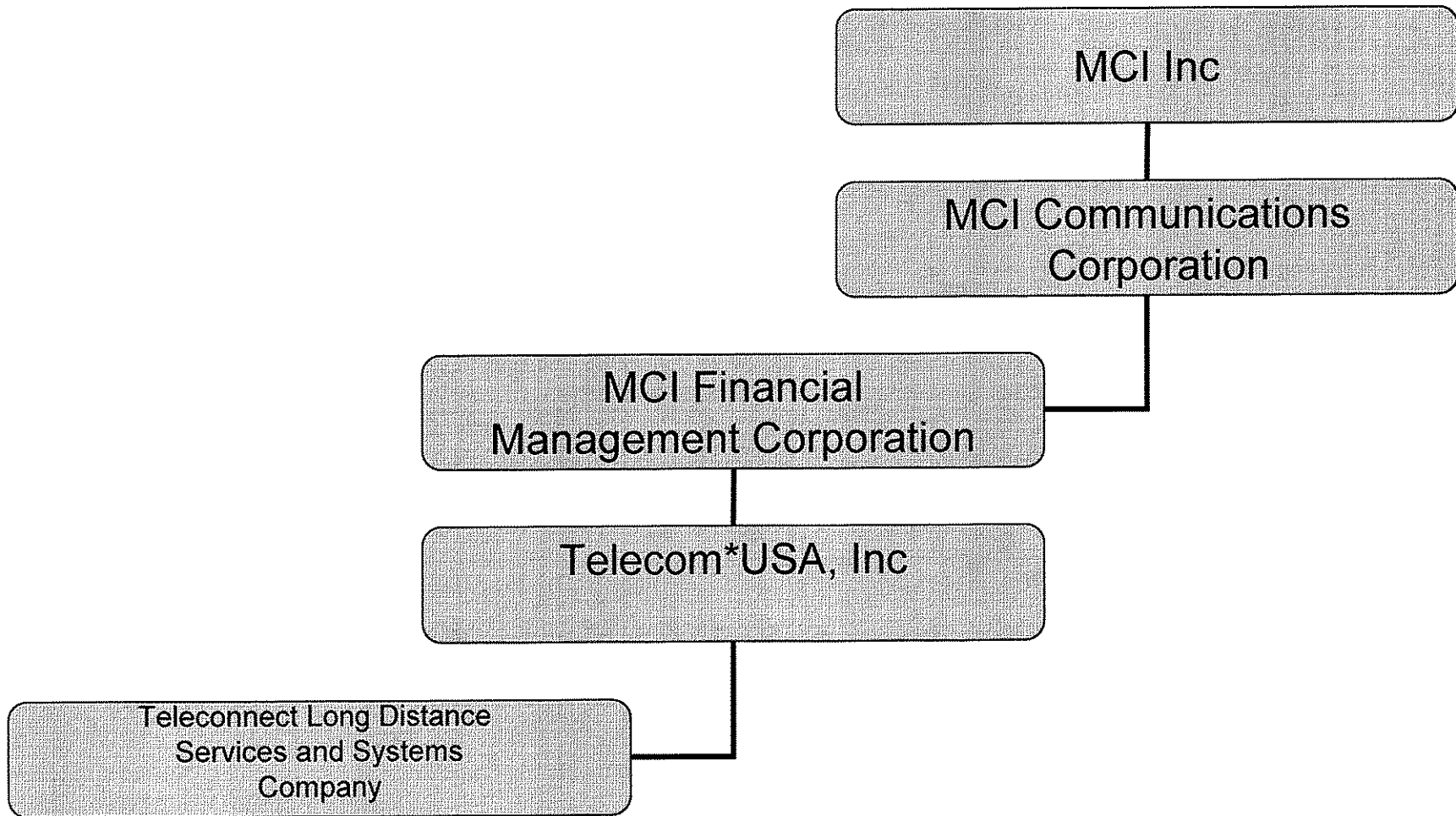


Exhibit 2

**EXHIBIT 3**  
**Sample Customer Notice of Merger**

**Dear Customer,**

**Your Telecom\*USA provider is changing. Currently your Telecom\*USA service is provided by Southernnet Inc. Later this year Southernnet Inc will merge with its sister company Teleconnect Long Distance Service and Systems Company.**

**After the merger Teleconnect Long Distance Service and Systems Company will be providing your Telecom\*USA services. There will be no changes to your Telecom\*USA plans and you will continue to receive service under the same terms, conditions and rates that are in effect today.**

**If you have any questions please call us at 1-800-444-5500**

**Telecom\*USA**