

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of MCI WorldCom Communications, Inc. (U-5378-C) Pursuant to Public Utilities Code Section 851 for Authority to Transfer Certain Assets to vCustomer Corporation, a Washington Corporation.

Application 05-06-037
(Filed June 23, 2005)

**OPINION GRANTING THE APPLICATION
OF MCI WORLDCOM COMMUNICATIONS, INC.
TO TRANSFER ASSETS TO vCUSTOMER CORPORATION**

MCI WorldCom Communications, Inc. (U-5378-C) (MCI) seeks authorization to transfer to vCustomer Corporation, a Washington corporation (vCustomer), certain assets and facilities with which MCI provides (1) directory assistance and operator services to its California customers and the California customers of its affiliated certificated companies and (2) certain call center services for the California Relay Service segment of the Commission's Deaf and Disabled Telecommunications Program.

The specific assets MCI seeks to transfer to vCustomer are described in detail below. MCI and vCustomer entered into an Asset Purchase Agreement (APA) on April 15, 2005, setting forth the terms and conditions of this asset sale and purchase. A copy of the APA has been submitted to the Commission. Pursuant to the terms of the APA, the transaction will not close prior to approval by the Federal Communications Commission, the regulatory agencies of several other states, and this Commission. MCI is endeavoring to close this transaction

by the end of August 2005. The company believes that this application does not present any controversial issues.

MCI holds a certificate of public convenience and necessity from this Commission pursuant to which it provides intrastate interexchange telecommunications services and related services, including directory assistance and operator services. MCI also provides “Call Center Services” for the California Relay Service pursuant to that certain California Relay Service Call Center Services Contract No. 03PS5313 between MCI and the Commission (the CCS Contract). MCI is classified by this Commission as a nondominant interexchange carrier (NDIEC).

vCustomer is not a public utility certificated by this Commission and not an applicant. MCI provides the following information about vCustomer, on information and belief. vCustomer Corporation is incorporated under the laws of the State of Washington, and its principal office is located in Kirkland, Washington. vCustomer holds a Certificate of Qualification from the California Secretary of State permitting it to transact intrastate business in California. vCustomer provides “business process outsourcing” (BOP) service. These include customized call center services, help desk services, tech support services, data processing, back office processing, and billing support services. vCustomer’s clients include companies in the technology, retail, hospitality, and telecommunications industries. vCustomer’s BPO services enable these clients to establish and maintain reliable relationships with their respective customers. Additional information about vCustomer is available at the company’s website: www.vcustomer.com.

Generally, the assets to be transferred consist of MCI’s call center located in Riverbank, California together with the equipment, facilities, and information

technology used to provide directory assistance and operator services. MCI is not selling its directory assistance and operator services database to vCustomer. Rather, pursuant to an exclusive services agreement between the two companies, vCustomer will be a vendor of directory assistance and operator services to MCI, and MCI will continue to be the retail provider of such services under rates, terms, and conditions set forth in its California intrastate tariffs.

MCI also proposes to transfer to vCustomer the equipment, facilities, and information technology used for the provision of California Relay Call Center Services pursuant to the CCS Contract which has been submitted to the Commission. Section 16 of the CCS Contract provides specific procedures for assignment of the contract, and requires prior written approval from the Director of the Commission's Telecommunications Division. That approval must then be confirmed by California's Department of General Services and the actual assignment accomplished via a formal contract amendment. Simultaneously with this application, MCI and vCustomer are pursuing the assignment of the CCS Contract in accordance with these procedures.

The specific assets to be transferred by MCI to vCustomer are as follows:

A. Interests in Real Property

Under the terms of the APA, MCI will assign and transfer (or cause to be assigned and transferred) to vCustomer all of MCI's rights and interests in specifically identified leases of improved real properties. Among these is the standard commercial single-tenant lease for the office building located at 6436 Oakdale Road, Riverbank, California, together with the ground lease for the parking facility at the same location. These are the leased facilities in California where MCI has operated its call center providing relay services, directory assistance, and operator services. Other leased facilities located outside California that will be transferred are identified in Schedule 1.1(a) to the APA.

B. Personal Property

MCI will sell to vCustomer all of MCI's right, title and interest in the items of equipment, trade fixtures and furnishings located at the specified facilities and identified in Schedule 2.4 to the APA. These include:

1. Office furnishings (e.g., desks, chairs, filing cabinets, bookshelves).
2. Office equipment (e.g., telephones, pagers, fax machines, copiers).
3. Personal computing equipment (e.g., desktop and laptop computers, keyboards, monitors, docking stations, mice, printers).
4. Network hardware (e.g., servers, routers, switches, cards).

C. Intellectual Property

MCI will license (or cause to be licensed) to vCustomer, pursuant to an Intellectual Property License Agreement set forth in Schedule 1.2 to the APA, the software applications and rights under patents and patent applications identified in Schedule 2.6 to the APA.

D. Contracts Other Than TeleRelay Services Contracts

MCI will assign and transfer (or cause to be assigned and transferred) to vCustomer all MCI's rights and interests under the Vendor Contracts, Consulting Agreements, and Other Agreements specifically identified in Schedule 1.1(c) to the APA.

E. The TeleRelay Services Contracts

This Commission approved the award to MCI of a Call Center Services contract as part of the restructured California Relay

Service in Resolution T-16741, dated June 19, 2003. This CCS Contract was memorialized in agreement number 03PS5313 (dated March 17, 2004), signed by the Commission's Executive Director on April 8, 2004, and approved by the California Department of General Services on May 3, 2004. MCI and vCustomer are pursuing assignment of this contract in accordance with its terms.

MCI also provides telerelay services in the states of Arizona and Tennessee. vCustomer and MCI are taking the appropriate steps to have these contracts assigned and transferred to vCustomer.

MCI proposes to transfer the assets described herein as part of its ongoing strategy to simplify and focus its business. Beyond the transfer of assets contemplated by the APA, the transaction provides that vCustomer will offer to the employees of MCI and its affiliates who are actively engaged in the directory assistance, operator services, and relay services business, employment and benefits with vCustomer similar to what they currently have with MCI. California consumers will benefit from MCI's transfer of call center-type services, including the employee base, equipment, facilities and assets used to provide such services, to a company like vCustomer, which specializes in and focuses on such services.

While MCI transfers the assets with which it has been providing directory assistance and operator services to its customers, those assets will be utilized by vCustomer to continue to provide directory assistance and operator services to MCI's customers pursuant to a services contract between MCI and vCustomer. Thus, the transaction will have no impact on MCI's California customers. With respect to the transfer of MCI assets with which it has been providing California Relay Call Center Services, those assets will be utilized by vCustomer to continue to provide Call Center Services, once the assignment of the CCS Contract to

vCustomer has been approved. Thus, the transaction will have no impact on the Call Center Services now being provided by MCI.

In transfer of assets proceedings, the Commission's duty is to ensure that a proposed transfer will not be adverse to the public interest. (*Application of Dyke Water Co.* (1964) 63 CPUC 641.) As noted, neither the transfer of MCI assets used to provide directory assistance and operator services, nor the transfer of MCI assets used to provide Call Center Services for the California Relay Service will have any impact on the continued provision of those services. Thus, the transfer of assets will have no adverse impact on the public interest.

There are no protests. A public hearing is not necessary.

Categorization and Need for Hearing

In Resolution ALJ 176-3155 dated July 1, 2005, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received. There is no apparent reason why the application should not be granted. Given these developments, a public hearing is not necessary, and it is not necessary to disturb the preliminary determinations.

Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Public Utilities Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Assignment of Proceeding

Geoffrey F. Brown is the Assigned Commissioner and Robert Barnett is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The California Environmental Quality Act (CEQA) Guideline Section 15061(b)(3) provides that projects are exempt from CEQA review when it can be seen with certainty that the activity will not have a significant effect on the environment.
2. The proposed transfer will not affect the terms and conditions under which current customers receive service.
3. vCustomer is qualified technically and financially to support the services to be transferred.
4. No term of the proposed transfer contravenes statutory provisions or prior Commission decisions.
5. The transfer of assets is reasonable in light of the record, is consistent with law, and is in the public interest.
6. Transfer of the assets which MCI uses to deliver Contract 03PS5313 are linked to the approval of the assignment of this contract by the Department of General Services (DGS).

Conclusions of Law

1. The transfer of assets subject to this application is exempt from CEQA review pursuant to CEQA Guideline Section 15061(b)(3).
2. The transfer of assets should be approved with the exception that the transfer of the assets used in the provision of Contract 03PS5313 should be approved conditioned upon DGS approval of the assignment to vCustomer of the California Relay Center Services Contract by DGS.
3. The motion of MCI for leave to file confidential materials under seal is granted.

O R D E R

IT IS ORDERED that:

1. MCI WorldCom Communications, Inc. may sell to vCustomer Corporation (vCustomer) the assets and facilities set forth in the Asset Purchase Agreement dated as of April 15, 2005 between the parties.

2. The Commission's permission to transfer the assets used in the provision of the Relay Center Services Contract (03PS5313) becomes effective only upon the approval of the assignment of this contract to vCustomer by the Department of General Services.

3. The authority granted by this decision shall expire if not exercised by July 1, 2006.

4. This proceeding is closed.

This order is effective today.

Dated _____, at San Francisco, California.