



State of Utah
Department of Commerce
Division of Public Utilities

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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Bill Duncan, Telecommunications / Water Manager
Ron Slusher, Utility Technical Consultant

Date: October 19, 2011

Re: In the Matter of the Joint Application of DSLnet Communications, LLC and DIECA Communications, Inc. for Authority to Complete Certain *Pro Forma* Intra-Corporate Transactions Docket No.11-2275-01 and 11-2277-01.

RECOMMENDATION (Approve):

The Division has reviewed the joint application between DSLnet Communications, LLC, and DIECA Communications, Inc. and believes that the transfer of control is in the public interest. As a result of the acquisition, the Companies should be in a better position to provide expanded and advanced telecommunications services in the State of Utah.

EXPLANATION:

On September 22, 2011, DSLnet Communications, LLC (“DSLnet”) and DIECA Communications, Inc. d/b/a Covad Communications Company notified the Commission of a internal *pro-forma* reorganization of the companies into DIECA to streamline operations under a single MegaPath branded company.

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.

DSLnet Communications, LLC is a Delaware limited liability company. DSLnet provides high-speed internet access services. In Utah, DSLnet is authorized to provide competitive local exchange service and interexchange service pursuant to a Certificate issued by the Commission in Docket No. 99-2275-01 on July 14, 1999.

Covad Communications Group, Inc. (“Covad”) is a Delaware corporation and is a wholly owned subsidiary of CCGI Holding Corporation. Covad owns Covad Communications Company (“CCC”), a California corporation. CCC does not currently offer any regulated telecommunications services in Utah.

DIECA Communications, Inc. (“DIECA”), a Virginia corporation. Covad, in turn, is a wholly owned subsidiary of CCGI Holding Corporation. In Utah, DIECA is authorized to provide local intra-exchange and inter-exchange services in the state.

All of the companies involved in this application are indirect, wholly owned subsidiaries of CCGI Holding Corporation, and are already operating under a common management structure. The Applicants propose 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.

The Applicants submit that the transaction described herein will serve the public interest. The Applicants expect that the merger will enable the combined entities to better meet the needs of enterprises, wholesale buyers, and other customers. The transaction will help create a stronger competitor by bringing together each organization’s respective strengths. Operating as an integrated company will allow each of the operating companies to be more competitive and to deliver greater value and variety of services to their customers than they do individually.

The Applicants state, that following the Transactions, DSLnet will no longer exist as a corporate entity. Therefore, Applicants request that, upon notification from Applicants that the Transactions have been completed, the Commission cancel the Certificate of DSLnet.

The Division has reviewed the joint application between DSLnet Communications, LLC, and DIECA Communications, Inc. and believes that the transfer of control is in the public interest. As a result of the acquisition, the Companies should be in a better position to provide expanded and advanced telecommunications services in the State of Utah.

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Katherine K. Mudge, Director State Affairs, MegaPath, Inc.