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January 5, 2000

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Director, Utility Services

DONNA M. KOLILIS
Director, Administration

DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. TM-2000-157

FILED²
JAN 05 2000
Missouri Public
Service Commission

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of a **STAFF RECOMMENDATION**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Cliff Snodgrass
Senior Counsel
(573) 751-3966
(573) 751-9285 (Fax)

CS/dkf
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²
JAN 05 2000
Missouri Public
Service Commission

In the Matter of the Application of L.D.)
Services, Inc., and CEO)
Telecommunications, Inc., for an Order)
Authorizing the Merger of L.D. Services,)
Inc. and CEO Telecommunications, Inc.)

Case No. TM-2000-157

STAFF RECOMMENDATION

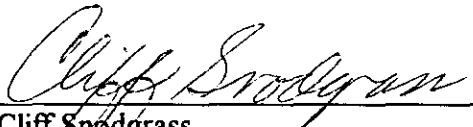
COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its recommendation states:

1. In the attached Memorandum, which is labeled Appendix A, the Staff recommends that the Missouri Public Service Commission (Commission) issue an Order which:
 - A. Approves the merger of L.D. Services, Inc. and CEO Communications, Inc.
 - B. Orders the Applicants captioned above, to either file an adoption notice or replacement tariff, to reflect the name change as a result of the merger to CEO Telecommunications, Inc.

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Respectfully submitted,

DANA K. JOYCE
General Counsel

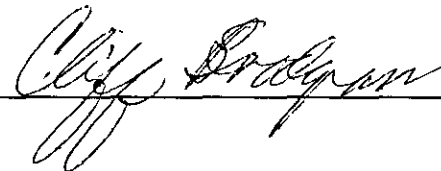


Cliff Snodgrass
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Illinois Bar No. 3123645

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 5th day of January, 2000.



MEMORANDUM RECEIVED

To: Missouri Public Service Commission Official Case File
Tariff File No. N/A Case No. TM-2000-157
L.D. Services, Inc. and CEO Telecommunications, Inc.

JAN 03 2000
8:50 AM
MISSOURI
Public Service Commission
1-3-00

From: Sherri Murphy *SM*
Telecommunications Department *BM*

Wm Headman 1-3-00
Utility Operations Division/Date

Wm K Haas 1/4/00
General Counsel's Office/Date

Subject: Recommendation to Approve the Merger of L.D. Services, Inc. and CEO
Telecommunications, Inc.

Date: December 28, 1999

On April 8, 1999, CEO Telecommunications, Inc. (CEO) submitted a tariff filing to reflect that L.D. Services, Inc. (LD Services) had changed its name to CEO. The filing, which included a proposed adoption notice and a copy of the Amended Certificate of Authority from the Missouri Secretary of State, was assigned Case No. TO-99-460 and Tariff File No. 9900786. On May 11, 1999, the Commission issued an Order Suspending Tariff Filing for Change of Name and Directing Staff Inquiry. The Staff's response filed on June 24, 1999 describes how Staff first became aware of a merger between LD Services and CEO by a letter received on November 4, 1998. The letter dated October 28, 1998 requested that LD Services' name be changed to CEO Telecommunications due to a merger which occurred on September 25, 1998. LD Services did not receive nor attempt to receive the Commission's authorization prior to merging with CEO. Staff states "The attempted merger of L.D. Services, Inc. and CEO Telecommunications, Inc. does not comply with Section 392.300 RSMo and is therefore void." On July 6, 1999, the Commission issued an Order Directing Merger Application and Corrective Action which directed LD Services to file an application or response to the Commission's Order by July 28, 1999. CEO filed a Motion for Extension of Time to File Merger Application on July 26, 1999 and the Commission subsequently approved that request on July 29, 1999.

On August 18, 1999, CEO and LD Services filed a Joint Application for Merger (Case No. TM-2000-157). The Commission issued a Notice Consolidating Cases and Requesting Additional Information on August 20, 1999. That Order consolidated Case No. TO-99-260 into Case No. TM-2000-157 and requested verification of the application. On September 13, 1999, the parties filed a Supplement to the Joint Application for Merger which contained a Verification of the Application. On September 14, 1999, CEO withdrew Tariff File No. 9900786.

LD Services was certificated to provide interexchange telecommunications services in Case No. TA-95-314. CEO is not certificated in the state of Missouri. According to the Joint Application for Merger, both LD Services and CEO were wholly-owned subsidiaries of Star Telecommunications, Inc. Pursuant to the merger plan, LD Services is the surviving corporation

Case No.

TM-2000-157

Assigned:

08/18/99

From:

Initial

Date

S. Murphy

SM

12/28/99

Mr. Voight

SV

12-30

Mr. Van Eschen

VE

12/30

Mr. Henderson

WH

1-3-00

Legal

Staff Deadline:

N/A

Company:

L.D. Svcs. & CEO

File Number:

N/A

Revised

and CEO is the merging corporation. As part of the merger plan, the corporate name of LD Services was changed to CEO Telecommunications, Inc. This surviving corporation remains a wholly-owned subsidiary of Star Telecommunications, Inc. On or about September 25, 1998, shortly after the merger, LD Services had approximately 1,261 customers in Missouri. LD Services, now CEO, continues to provide the same level and quality of services to its Missouri customers. The applicants state that Commission approval of the merger will further the public interest, including the interest of current customers and enhance CEO's competitive viability. According to the application, LD Services and CEO did not request approval from the Missouri Public Service Commission to complete this merger due to a misinterpretation of the Missouri regulations.

LD Services and CEO do not have any pending or final decisions against it from any state or federal agency involving service to customers or rates charged. In 1997, the state of California, in and for the County of Monterey, and the Public Utility Commission, Consumer Services Division, filed actions against the company. Both actions concluded upon agreement of the parties without admission of liability, law or fact. The company agreed to pay a monetary penalty to the State of California and a monetary settlement to the California Public Utility Commission. Also, a formal complaint has been filed against the company in the state of Michigan. According to the application, a decision in that complaint is forthcoming.

Staff believes that the applicants have filed the appropriate application and supplied all of the information required. Staff has no objections to the transaction and recommends the Commission issue an order to: 1) approve the merger of LD Services and CEO, and 2) order the applicants to file either an adoption notice or replacement tariff to reflect the name change to CEO. Regarding the applicant's request for approval post-merger, this type of retroactive approval is not allowed under 392.300, RSMo., the law governing Commission approval of transfers related to telecommunications companies. This statute states that a valid transfer by a telecommunications company cannot occur unless the company has "first secured from the commission an order authorizing" the transfer. This language clearly allows for only prospective approval since, by being required "first", the Commission's order approving the transfer must be granted before the transfer is treated as authorized by the Commission. For this reason, a transfer can only be treated as approved prospectively from the date of the Commission's order. The Staff is unaware of any other filing which affects or which would be affected by this proposal.

Service List for
Case No. TM-2000-157
January 5, 2000

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