

Before the
IDAHO PUBLIC UTILITIES COMMISSION

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Application of)
)
XO COMMUNICATIONS SERVICES, INC.)
)
For a Certificate of Public Convenience and)
Necessity to Provide Competitive Facilities-)
Based and Resold Local Exchange and)
Interexchange Telecommunications Services)
Within the State of Idaho)

IDAHO PUBLIC
UTILITIES COMMISSION
Docket No. XOC-T-04-01

APPLICATION OF XO COMMUNICATIONS SERVICES, INC.

XO Communications Services, Inc. (“XO” or the “Applicant”), by its attorneys and pursuant to Idaho Code § 62-615, hereby respectfully requests that the Idaho Public Utilities Commission (“Commission”) grant this Application for a Certificate of Public Convenience and Necessity to provide competitive facilities-based and resold local exchange and interexchange telecommunications services within the State of Idaho. In support of this Application, XO states as follows:

I. PROPOSED SERVICES

By this Application, XO requests authority to provide competitive facilities-based and resold interexchange and local exchange telecommunications services. Specifically, XO intends to offer to Idaho consumers a complete set of telecommunications services, which shall include local and long distance voice, Internet access, Virtual Private Networking (VPN), Ethernet, Wavelength, Web Hosting, and Integrated voice and data services.

XO is a wholly owned, direct subsidiary of XO Communications, Inc. (“XO Communications”), a Delaware corporation located at 11111 Sunset Hills Road, Reston, Virginia 20190-5339. The stock of XO Communications is publicly traded on the Over the Counter

Bulletin Board under the symbol “XOCM.OB.” XO Communications ultimately is controlled by Carl C. Icahn, a U.S. citizen, through his ultimate control and ownership of various companies. A complete organizational chart, including XO, its corporate parent and its Idaho affiliate is attached hereto as *Exhibit A*.

XO Communications is a leading facilities-based provider of broadband telecommunications services. The company offers a complete set of telecommunications services including local and long distance voice, Internet access, Virtual Private Networking (VPN), Ethernet, Wavelength, Web Hosting and Integrated voice and data services. XO Communications provides service through its facilities-based broadband networks and Tier One Internet peering relationships. The company also is one of the nation’s largest holders of fixed wireless spectrum, covering 95% of the population of the 30 largest U.S. cities. XO Communications currently offers facilities-based broadband telecommunications services within and between more than 70 markets throughout the United States. XO Communications also is authorized by the FCC to provide interstate and international telecommunications services and, through one or more of its subsidiaries, is authorized to provide intrastate interexchange services virtually nationwide, and to provide competitive local exchange services in 47 states.

XO Idaho, Inc. (“XO Idaho”) is a wholly owned, direct subsidiary of XO Communications and affiliate of XO, located at the same address. XO Idaho currently is authorized to provide competitive local exchange and interexchange telecommunications services pursuant to its authorization granted by the Commission.¹ Thus, XO Idaho and its corporate parent, XO Communications, have been found by the Commission to possess the

¹ See Idaho Pub. Util. Comm’n Case No. GNR-T-99-1, Order No. 28134.

requisite financial, managerial and technical qualifications necessary to operate as a provider of telecommunications services within the State of Idaho.

II. FORM OF BUSINESS

XO is a Delaware corporation whose principal office and place of business is located at 11111 Sunset Hills Road, Reston, Virginia 20190-5339. A copy of the Articles of Incorporation of XO will be late-filed with the Commission as *Exhibit B*. XO currently is authorized to transact business within the State of Idaho as a foreign corporation. A certified copy of XO's Certificate of Good Standing issued by the Secretary of State of Idaho will be late-filed with the Commission as *Exhibit C*. XO will provide the appropriate contact information for its registered agent for service of process within the State of Idaho at such time as the above-referenced corporate documents are late-filed with the Commission. A complete list of the Directors and Executive Management of XO is attached hereto as *Exhibit D*.

III. TELECOMMUNICATIONS SERVICES

The authority requested by this Application is necessary to complete an internal corporate reorganization of XO Communications and its telecommunications operating subsidiaries, including XO and XO Idaho. Specifically, upon the Commission's grant of the authority requested by this Application, XO Idaho will transfer its intrastate telecommunications assets and customers to XO through a merger of XO and XO Idaho.² After the merger, XO Idaho will cease to exist, and XO will assume all of the intrastate assets and telecommunications operations of XO Idaho and will provide telecommunications services to the current customers of XO Idaho. The organizational charts attached hereto as *Exhibit A* reflect the existing

² At such time as XO becomes authorized by the Commission to provide telecommunications services within the State of Idaho, the appropriate parties will file with the Commission a formal notification of this transaction.

corporate structure of XO, and that following the internal corporate reorganization described herein.

In Idaho, XO will provide facilities-based and resold interexchange and local exchange telecommunications services primarily to small and medium-sized business customers, as well as to large business enterprises (e.g., national customers with multiple locations), governmental entities and institutional end users.

IV. SERVICE TERRITORY

XO will provide facilities-based and resold interexchange and local exchange telecommunications services on a statewide basis, and likely will compete with each of the incumbent LECs that currently provide telecommunications services within the State of Idaho, including Qwest Corporation.

V. FINANCIAL INFORMATION

As indicated above, XO is a wholly owned, direct subsidiary of XO Communications. As such, XO may rely on the financial capability of its corporate parent to fund its telecommunications operations within the State of Idaho, and accordingly, to provide the telecommunications services requested by this Application. The Form 10-Q of XO Communications, filed with the Securities and Exchange Commission for the quarterly period ended March 31, 2004, attached hereto as *Exhibit E*, demonstrates the financial fitness of XO and its corporate parent to provide the telecommunications services requested by this Application.

VI. ILLUSTRATIVE TARIFF FILING

Upon certification, XO will provide telecommunications services within the State of Idaho in accordance with the rates, terms and conditions set forth in the tariff of XO Idaho

currently on file with the Commission. Accordingly, the tariff of XO Idaho, amended to reflect the Applicant's company name, will serve as XO's initial tariff for telecommunications services provided within the State of Idaho. Should the Commission require any tariff filing in connection with this Application, XO will late-file its illustrative tariff with the Commission.

VII. CUSTOMER CONTACTS

XO's designated contact for all consumer inquiries and complaints related to the telecommunications services provided by XO is:

Theresa Powell (theresa.powell@xo.com)
XO COMMUNICATIONS SERVICES, INC.
Two Easton Oval
Suite 300
Columbus, Ohio 43219
(614) 416-1104 (telephone)
(614) 416-9201 (facsimile)

XO's designated contact for all inquiries by Commission Staff related to complaints, inquiries and matters concerning rates and price lists or tariffs is:

Doug Kinkoph
Vice President, Regulatory and External Affairs
XO COMMUNICATIONS, INC.
Two Eastern Oval
Suite 300
Columbus, Ohio 43219
(614) 416-1468 (telephone)
(614) 416-9268 (facsimile)

XO's toll free telephone number for all customer inquiries and complaints is:
(888) 575-6398.

VIII. INTERCONNECTION AGREEMENTS

XO Idaho will assign to XO its interconnection agreements for the State of Idaho, and XO will seek approval by the Commission, as necessary, of such assignment.

IX. COMPLIANCE WITH COMMISSION RULES

XO will comply with the rules and regulations of the Commission applicable to the telecommunications services provided by XO within State of Idaho, or otherwise will request a waiver of such rules that XO believes to be inapplicable to the telecommunications services that it provides.

X. ESCROW ACCOUNT OR SECURITY BOND

XO will not collect customer deposits for telecommunications services provided within the State of Idaho. In the event that XO collects customer deposits for telecommunications services at a later date, XO will submit to the Commission a signed copy of an escrow account with a bonded escrow agent or security bond, as required by the rules and regulations of the Commission.

WHEREFORE, XO hereby respectfully requests that the Commission grant this Application for a Certificate of Public Convenience and Necessity to provide competitive facilities-based and resold local exchange and interexchange telecommunications services within the State of Idaho.

Respectfully submitted,

XO COMMUNICATIONS SERVICES, INC.

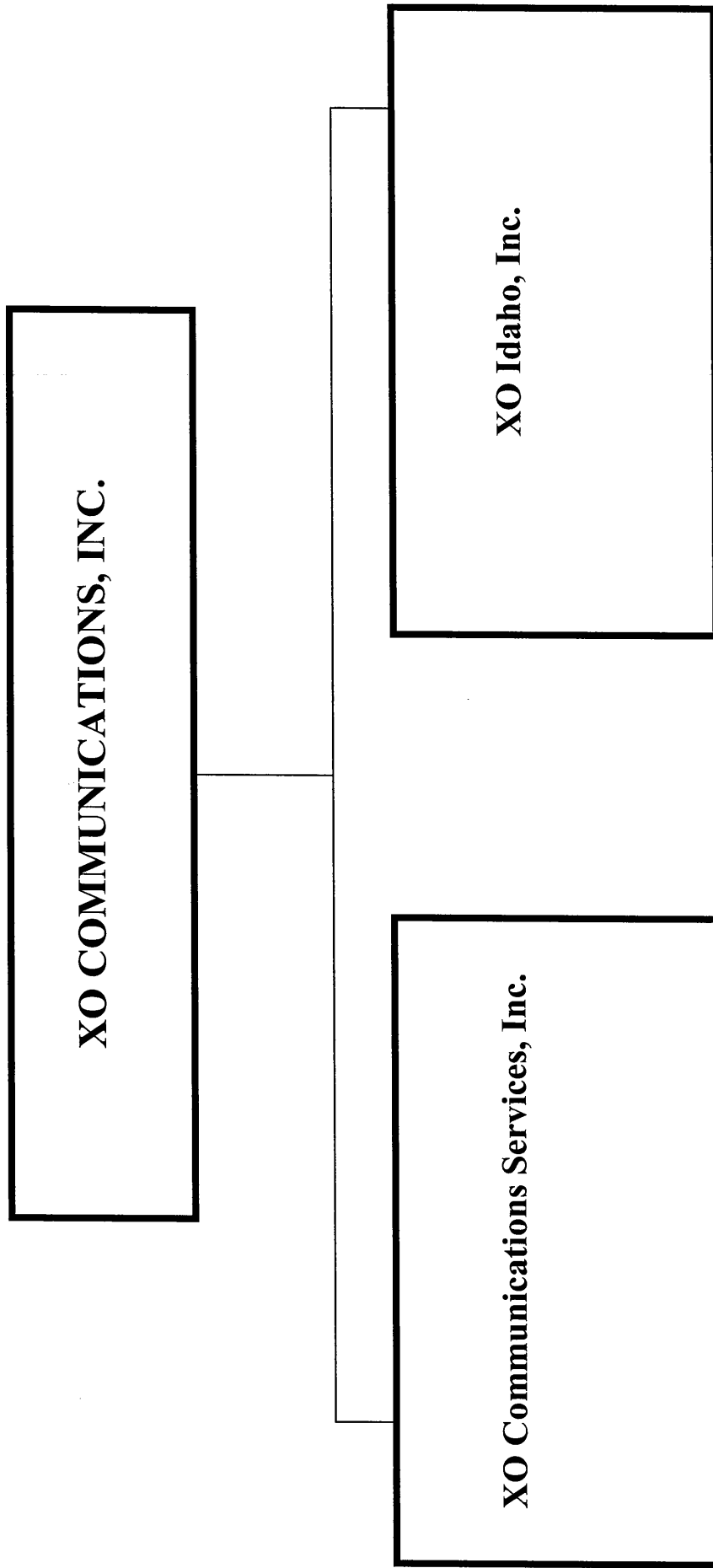
Brad E. Mutschelknaus
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1200 Nineteenth Street, N.W.
Suite 500
Washington, D.C. 20036
Tel. (202) 955-9600
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Dated: July 26, 2004

EXHIBIT A

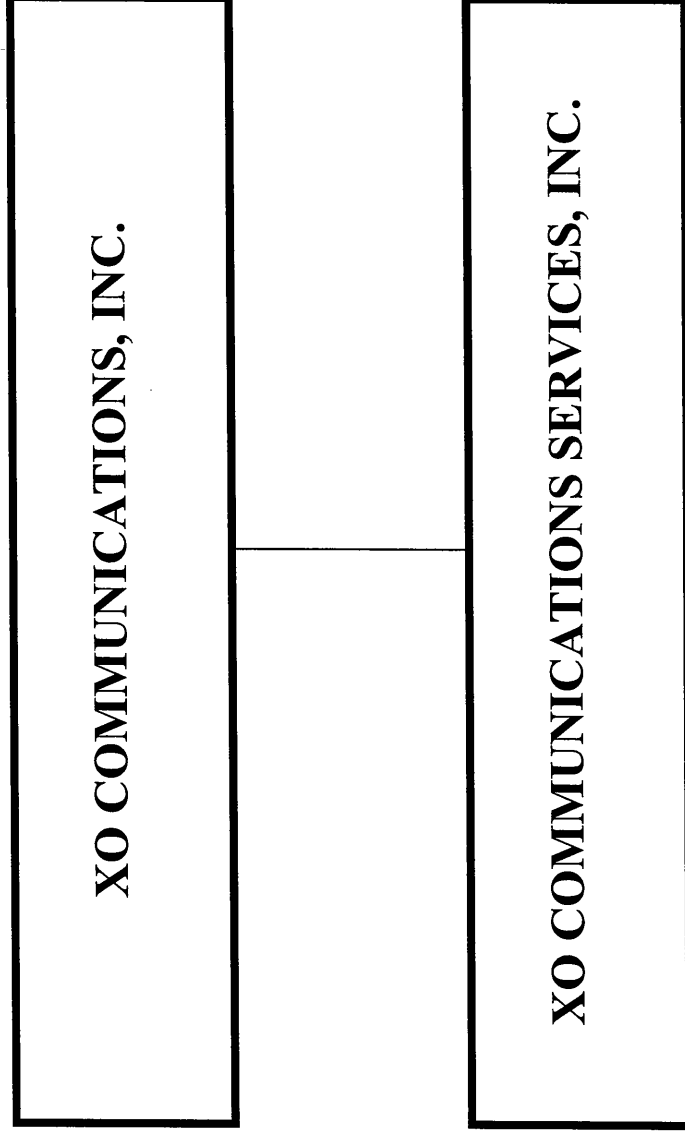
ORGANIZATIONAL CHARTS

EXISTING CORPORATE STRUCTURE OF THE APPLICANT¹



¹ Each entity is 100% owned by the entity immediately above it, unless otherwise indicated.

CORPORATE STRUCTURE AFTER RESTRUCTURING¹



¹ Each entity is 100% owned by the entity immediately above it, unless otherwise indicated.

EXHIBIT B

ARTICLES OF INCORPORATION
(TO BE LATE-FILED)

EXHIBIT C

CERTIFICATE OF GOOD STANDING
(TO BE LATE-FILED)

EXHIBIT D

**DIRECTORS AND
EXECUTIVE MANAGEMENT**

XO COMMUNICATIONS, INC.
1111 Sunset Hills Road, Reston, VA 20190
(703) 547-2000 (telephone) – (703) 547-2361 (facsimile)
www.xo.com

Board of Directors

Carl C. Icahn – Director

Carl J. Grivner - Chief Executive Officer

Vincent Intrieri – Director

Adam Dell – Director

Keith Meister – Director

Andrew R. Cohen - Director

Fredrik Gradin - Director

Robert Knauss - Director

XO COMMUNICATIONS, INC.
11111 Sunset Hills Road, Reston, VA 20190
(703) 547-2000 (telephone) – (703) 547-2361 (facsimile)
www.xo.com

Executive Management

Carl J. Grivner , Chief Executive Officer

Wayne Rehberger, Chief Operating Officer

Lee Weiner, Senior Vice President and General Counsel

Bill Garrahan, Acting Chief Financial Officer and Senior Vice President - Corporate Development

Doug Sobieski, Vice President - Fixed Broadband Wireless Services

Terri Burke, Vice President - Human Resources

Rob Geller, Chief Information Officer

Tom Cady, Chief Marketing Officer

Mark Faris, Senior Vice President - Network Operations

Matt Harty, President - Commercial Sales

Ernie Ortega, President - Carrier Sales

Rob Westervelt, President - Indirect Sales

Ron Scott, Senior Vice President - XO Communications and President and XO One

EXHIBIT E

FINANCIAL STATEMENTS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2004

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-30900

XO Communications, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

54-1983517
(I.R.S. employer
identification no.)

1111 Sunset Hills Road
Reston, Virginia 20190
(Address of principal executive offices, including zip code)
(703) 547-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO []

Indicate by check mark whether the Registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act.). YES [X] NO []

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. YES [X] NO []

As of May 3, 2004, the number of shares of common stock of XO Communications, Inc. issued and outstanding was 136,553,035 (excluding 45,380,000 shares of common stock deposited into escrow pending the consummation of our acquisition of the assets of Allegiance Telecom, Inc.).

XO Communications, Inc. and Subsidiaries
Index to Form 10-Q

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PART I. FINANCIAL INFORMATION
 Item 1. Financial Statements

XO Communications, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
 (Amounts in thousands, except for share and per share data)

	March 31, 2004	December 31, 2003
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 370,515	\$ 478,560
Marketable securities	26,292	42,052
Accounts receivable, net of allowance for doubtful accounts of \$39,582 at March 31, 2004 and \$32,986, at December 31, 2003, respectively	97,034	93,958
Other current assets	46,902	12,421
Total current assets	540,743	626,991
Property and equipment, net	491,715	485,984
Broadband wireless licenses and other intangibles, net	102,974	109,515
Other assets, net	83,354	42,675
Total assets	\$1,218,786	\$1,265,165
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 65,737	\$ 63,064
Accrued liabilities	199,123	208,353
Total current liabilities	264,860	271,417
Long-term debt and accrued interest payable	345,882	536,791
Other long-term liabilities	74,036	76,532
Total liabilities	684,778	884,740
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: par value \$0.01 per share, 200,000,000 shares authorized: none issued	—	—
Warrants and common stock, par value \$0.01 per share, 1,000,000,000 shares authorized: 136,526,785 and 96,274,140 shares issued and outstanding on March 31, 2004 and December 31, 2003, respectively	683,134	482,440
Subscription rights exercised, 32,503,234 shares authorized: none issued and outstanding	—	162,516
Subscription rights receivable, 32,503,234 shares authorized: none issued and outstanding	—	(162,516)
Deferred compensation	(850)	(839)
Accumulated other comprehensive income	2,772	1,378
Accumulated deficit	(151,048)	(102,554)
Total stockholders' equity	534,008	380,425
Total liabilities and stockholders' equity	\$1,218,786	\$1,265,165

See accompanying notes to the unaudited condensed consolidated financial statements.

XO Communications, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Amounts in thousands, except for share and per share data)
(Unaudited)

	Three months ended March 31, 2004	Three months ended March 31, 2003
Revenue	\$ 260,945	\$ 286,093
Costs and expenses:		
Cost of service (exclusive of depreciation and amortization)	109,961	107,506
Selling, operating, and general	168,553	166,235
Depreciation and amortization	25,697	26,367
Total costs and expenses	304,211	300,108
Loss from operations	(43,266)	(14,015)
Investment income, net	1,376	3,210
Interest expense, net	(6,604)	(9,683)
Net loss	\$ (48,494)	\$ (20,488)
Net loss per common share, basic and diluted	\$ (0.37)	\$ (0.22)
Weighted average shares, basic and diluted	129,406,599	95,000,001

See accompanying notes to the unaudited condensed consolidated financial statements.

