

In the Matter of the Joint Application of )  
AT&T CORP. and TELEPORT COMMUN- )  
ICATIONS GROUP, INC., for Author- )  
ization of Proposed Transaction )

DOCKET NO. 98-087-01  
REPORT AND ORDER

ISSUED: February 23, 1998

### SYNOPSIS

A proposed merger between the two joint applicants appearing to be in the public interest, the Commission approved the same.

By the Commission:

### PROCEDURAL HISTORY

On January 29, 1998, AT&T Corp., (AT&T) and Teleport Communications Group, Inc., (TCG) filed a Joint Application to transfer control of TCG to AT&T. Since there appears to be no opposition to the proposal, no evidentiary hearing appears to be necessary or helpful to the Commission in its disposition of the matter. The Administrative Law Judge, having been fully advised in the matter, now enters the following Report, containing proposed Findings of Fact, Conclusions of Law, and the Order based thereon.

### FINDINGS OF FACT

1. In support of their joint application, the Applicants filed 10-Ks for both companies, which contain comprehensive information on their financial status, operations, management, and services, as well as an Agreement and Plan for Merger. Other information concerning the legal, technical, managerial, and financial qualifications of TCG was provided with its application for certification in Docket No. 96-2211-01. Information concerning the legal, technical, managerial, and financial qualifications of AT&T was submitted in Docket No. 96-087-01.
2. AT&T is a New York corporation with headquarters at 32 Avenue of the Americas, New York, New York 10013-2412, and is authorized, on its own and through a number of subsidiaries, to provide domestic and international telecommunications services throughout the United States. In Utah, AT&T's operating subsidiary, AT&T Communications of the Mountain States, Inc., is authorized to provide facilities-based and resold local exchange and interexchange telecommunications services. AT&T is the largest telecommunications company in the country and clearly has the technical, managerial, and financial qualifications to acquire control of TCG.
3. TCG is a Delaware corporation with headquarters at One Teleport Drive, Staten Island, New York 10311. TCG maintains that it was the first and remains the largest provider of competitive local exchange services in the United States. TCG is the parent, directly or indirectly, of a number of non-dominant carriers that operate facilities-based local exchange networks in 57 markets in 31 states, including Utah. TCG Utah is authorized to provide facilities-based local exchange and facilities-based and resold intrastate interexchange telecommunications pursuant to certification granted by the Commission on October 24, 1996. TCG's operating subsidiaries also provide interstate and international telecommunications services as non-dominant common carriers pursuant to authority of the Federal Communications Commission. Additionally, TCG controls, through a wholly-owned subsidiary, fixed microwave licenses in over 200 markets nationally, including portions of Utah that provide an alternative, facilities-based method to reach customers.
4. The proposed transfer of control will be accomplished through a transaction whereby a wholly-owned subsidiary of AT&T, TA Merger Corp., will merge with and into TCG, at which time TCG will become a wholly-owned subsidiary

of AT&T. Following completion of the proposed transaction, the Utah operating subsidiaries of AT&T and TCG will offer a broad array of competitive local exchange telecommunications services, principally under the AT&T brand.

5. AT&T is financially well qualified to consummate the proposed transaction. According to financial statements audited by Coopers and Lybrand L.L.P., it had revenues in excess of \$52 billion and \$5.9 billion of net income in 1996 with more than \$55 billion in assets. It has a net worth of \$20 billion and has working capital of about \$2 billion.

6. AT&T was incorporated in 1885 and has more experience in telecommunications than any other company in the world. We expect that a company that has been in business that length of time would have the managerial expertise necessary to operate into the future. AT&T has provided the qualifications of the principal managerial employees that will provide local services in Utah with its original application for certification and has demonstrated that it has the requisite managerial resources and abilities.

7. AT&T states that it has provided consistently high-quality services to both residential and business customers in Utah since 1984. It is a leader in state-of-the-art telecommunications services and is widely recognized for its expertise in designing, installing, operating, and maintaining the world's best-in-class telecommunications network. It is supported in its endeavors by AT&T Labs, where scientists engage in extensive research and development for telecommunications facilities and services. AT&T is, therefore, well qualified, from a technical standpoint to provide both resale and facilities-based exchange service in Utah.

8. The Division of Public Utilities, Utah Department of Commerce recommends that the above Application be approved by the Commission.

#### DISCUSSION

Consummation of the proposed transaction will serve the public interest because it will "promote competition among providers of local exchange services by combining the financial resources and complementary managerial skills, network facilities, and market capabilities of TCG and AT&T to enhance their collective ability to provide telecommunications services to the customers in Utah."

#### CONCLUSIONS OF LAW

The proposed transaction is in the public interest and should be approved.

#### ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

The joint Application of AT&T CORP and TELEPORT COMMUNICATIONS GROUP, INC., be, and it is approved effective the date of this Order.

Any person aggrieved by this Order may petition the Commission for review within 20 days of the date of this Order. Failure so to do will forfeit the right to appeal to the Utah Supreme Court.

DATED at Salt Lake City, Utah, this 23rd day of February, 1998.

/s/ A. Robert Thurman  
Administrative Law Judge

Approved and Confirmed this 23rd day of February, 1998, as the Report and Order of the Public Service Commission of Utah.

/s/ Stephen F. Mecham, Chairman

(SEAL) /s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary