

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Joint Application of MCI	)	
WORLDCom, INC., and SPRINT	)	<u>DOCKET NO. 99-095-04</u>
CORPORATION for Approval to Transfer	)	
Control of Sprint Subsidiaries Operating in Utah	)	<u>REPORT AND ORDER</u>
to MCI WorldCom, Inc.	)	

ISSUED: May 15, 2000

SYNOPSIS

The proposed transfer appearing to be in the public interest, the Commission approved the same.

Appearances:

William J. Evans	For	MCI WORLDCom, INC.
Rich Kowalewski	"	SPRINT CORPORATION

By The Commission:

PROCEDURAL HISTORY

On December 21, 1999, the joint petitioners above-named filed their petition for approval of a transfer of ownership control of the Utah-certificated subsidiaries of Sprint Corporation ("Sprint") to MCI Worldcom ("MCI"). The matter was referred for review and recommendation to the Division of Public Utilities, Utah Department of Commerce ("DPU"), which filed its memorandum recommending approval February 17, 2000. Since no opposition has emerged in the interim, nor does any appear likely; and since an evidentiary hearing appears to be neither necessary nor helpful for the disposition of this matter, we have determined to dispose of the same without further proceedings. 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. Both MCI and Sprint have certificated operating subsidiaries in Utah. Specifically, Sprint controls Sprint Communications Company, L.P., and control of this entity would be transferred to MCI. Both Sprint and MCI are holding companies, and neither is certificated in Utah
2. On October 5, 1999, MCI WorldCom and Sprint Corporation announced that the two companies had entered into a definitive merger agreement whereby Sprint will be merged into MCI WorldCom. The merger will be achieved through a stock-for-stock transaction, not requiring either company to take on additional debt. Following the merger, existing MCI WorldCom shareholders will own shares representing a majority of the total voting power of WorldCom capital stock.
3. The merged company will be named WorldCom and will be led by an experienced management team consisting of top executives from both MCI WorldCom and Sprint. Bernard J. Ebberts, President and Chief Executive Officer of MCI WorldCom, will be President and Chief Executive Officer of WorldCom. William T. Esrey, Chairman and Chief Executive Officer of Sprint, will be Chairman of WorldCom. The board of directors of WorldCom will have 16 members, ten from MCI WorldCom and six from Sprint.

4. Upon merger closing, expected to occur mid-2000, the separate corporate existence of Sprint will cease and the present wholly owned subsidiaries of Sprint will become wholly owned subsidiaries of WorldCom. The merger does not involve any assignment of Sprint's authorizations or licenses, or any change in the licensees that hold such authorizations and licenses, and the same companies will continue to provide service to the public. The only change in ownership will occur at the holding company level. The wholly-owned subsidiaries of MCI WorldCom will continue to be held by WorldCom and the merger does not involve a change in control of these companies. Thus, the existing regulated entities in Utah will not be modified or reorganized as a result of this transaction and will continue to operate as separate, regulated entities just as they had prior to the mergers of the holding companies.

5. The transaction will lessen the joint Applicants' dependence on incumbent local and cable networks in the provisioning of local and broadband services. The applicants assert this is a key advantage in a marketplace where the distinction between long distance, local, and data services continue to disappear.

6. Both Sprint and MCI provide a variety of switched and dedicated long distance services throughout Utah. Sprint provides wireless service in Salt Lake City, Ogden, and Provo through Sprint PCS. On the MCI side, Brooks Fiber is providing local services such as local lines, local trunk-basic, local-trunk-DID, Local Trunk-2 Way Direct, ISDN-PRI, and FX service, with multiple calling plans being offered for these services.

7. The merged entity plans to continue the offering of the same set of services; but, the applicants also expect that the merger will increase the speed at which nationwide broadband wireless services will become available. Too, the merged entity will allow the availability of additional MCI collocations which will advance Sprint's broadband objectives and allow a more rapid deployment of the Sprint Integrated on Demand Network ("ION") package of broadband services. ION is a new high-capacity network that allows business and residential customers to simultaneously conduct multiple phone calls, receive faxes, and surf the Internet at high-speed through a single connection. ION is based on a mix of broadband access technologies including ATM and DSL.

8. In the Joint Petition, it is alleged that the petitioners have had difficulties with accessing the Incumbent Local Exchange Carrier ("ILEC") network, and have experienced facility bottlenecks. These difficulties include various problems in obtaining access to ILEC network elements and cable broadband facilities. The petitioners allege that pricing for unbundled loops in Utah in some cases exceed the retail end user price for residential service. Petitioners also allege that discount levels for resold services in Utah are insufficient to allow economic resale of ILEC services. Due to these problems, both MCI and Sprint, as independent Competing Local Exchange Carriers ("CLEC")s, turned to fixed wireless to reach end users. Both acquired radio licenses from the FCC to accomplish the solution.

9. By combining MCI's local services, Sprint's ION services, and their combined fixed wireless areas, the new WorldCom's "footprint" will incorporate the large geographic areas of Salt Lake City and Provo. The merged entity will then be able to be in a more competitive position to provide a variety of broadband services to customers.

#### DISCUSSION

The proposed merger appears to offer the prospect of a positive step toward competition in Utah, especially since the petitioners have asserted a commitment to becoming an effective competitor in the local market. It appears that together, MCI and Sprint will be better positioned to provide competitive benefits to the Utah public than they could operating separately. Accordingly, approval of the merger appears to be in the public interest.

#### CONCLUSIONS OF LAW

The proposed merger should be approved.

#### ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

- The joint petition be, and it is, approved 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 to do so will forfeit the right to appeal to the Utah Supreme Court.

DATED at Salt Lake City, Utah, this 15th day of May, 2000.

/s/ A. Robert Thurman  
Administrative Law Judge

Approved and Confirmed this 15th day of May, 2000, as the Report and Order of the Public Service Commission of Utah.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary