

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

)
In the Matter of the Proposed)
Acquisition of MCI, Inc. By)
Verizon Communications, Inc.)
)

DOCKET NO. 05-2430-01

ORDER GRANTING WITHDRAWAL
OF INTERVENING PARTY
AND APPROVING MERGER

SYNOPSIS

The Commission grants the request of Covad Communications Company to withdraw as an intervening party to this docket. The Commission finds the proposed merger of MCI, Inc., and Verizon Communications, Inc., to be in the public interest and approves the same.

ISSUED: September 16, 2005

By The Commission:

PROCEDURAL HISTORY

On March 9, 2005, MCI, Inc. (“MCI”) and Verizon Communications, Inc. (“Verizon”) (together hereinafter referred to as the “Parties”) filed a joint Notification of the Acquisition of MCI, Inc. By Verizon Communications, Inc. (“Joint Notice”) advising the Commission of the proposed acquisition of MCI by Verizon while arguing that the proposed transaction does not require Commission approval. The Joint Notice nonetheless provided some detail regarding the proposed acquisition and its perceived benefits for consumer. Along with the Joint Notice, the Parties provided a copy of their Agreement and Plan of Merger (“Agreement”), dated February 14, 2005.

On April 11, 2005, the Parties filed a copy of their Amendment to Agreement and Plan of Merger (“Amendment”), dated March 29, 2005, noting that the Amendment neither alters the structure of the proposed acquisition nor impacts the telecommunications services or operations provided by the Parties’ subsidiaries in Utah.

On April 20, 2005, DEICA Communications, Inc., d/b/a Covad Communications Company (“Covad”) petitioned the Commission for leave to intervene in this docket. On April 25, 2005, the Division of Public Utilities (“Division”) filed its initial analysis of the proposed acquisition, recommending the Commission leave open this docket to allow the Division additional time to further investigate the transaction. On April 28, 2005, Covad filed Comments

for the Commission's consideration in undertaking its review of the proposed acquisition and seeking comprehensive Commission investigation of the proposed acquisition prior to approval of the same. On April 29, 2005, the Parties filed their Objection to Covad's Petition to Intervene, arguing Covad had failed to state any facts justifying its intervention and noting that because Covad had not yet been granted intervention its Comments of April 28, 2005, the Commission should neither receive nor consider those Comments.

On May 6, 2005, the Parties informed the Commission of their Second Amendment to the Agreement and Plan of Merger, dated May 1, 2005, and, as with the first Amendment, indicated this second amendment does not alter the structure of the proposed transaction or its benefits as described in the Joint Notice.

On May 19, 2005, the Parties filed their Motion to Strike, or in the Alternative, Response of MCI, Inc. and Verizon Communications Inc. to the Comments of Covad Communications Company, seeking to strike Covad's Comments of April 28, 2005, because Covad had not been granted intervener status and was therefore not a party to the action, or, alternatively, responding to Covad's Comments by arguing against the Commission investigation urged by Covad in its Comments.

On May 31, 2005, Covad filed its Response to MCI and Verizon's Motion to Strike Covad's Comments setting forth its rationale for the investigation it sought from the Commission and offering to withdraw its request for such an investigation if the Parties would provide written assurances to the Commission that MCI would continue to compete vigorously in the Utah wholesale and retail telecommunications markets, and that the merged company would continue to provide competitive transport services, post-acquisition.

On June 13, 2005, the Parties filed a Reply in Support of Parties' Motion to Strike, or, in the Alternative, to Overrule the Comments of Covad Communications Company reiterating their contention that Covad had failed to demonstrate grounds for intervention and arguing Covad's Comments should not be considered because Covad had provided neither a proper jurisdictional basis for the investigation it seeks nor a factual basis for its unsubstantiated allegations.

On August 29, 2005, the Commission granted Covad leave to intervene. On September 7, 2005, the

Commission issued a Notice of Status and Scheduling Conference to be convened on September 14, 2005, to discuss and schedule further proceedings. At this Conference on September 14, 2005, MCI was represented by Vicki Baldwin. Richard Severy and Thomas Dixon also appeared via telephone on behalf of MCI. Robert Slevin appeared by telephone on behalf of Verizon and Gregory Diamond appeared by telephone on behalf of Covad. The Division of Public Utilities was represented by Michael Ginsberg. At the start of this Conference, Mr. Diamond stated that, based on the results of its ongoing discussions with the Parties, Covad would seek leave to withdraw as an intervener in this docket.

Also on September 14, 2005, the Division filed a memorandum of its investigation of the proposed merger recommending approval of the same.

On September 15, 2005, Covad filed a Petition for Leave to Withdraw Its Intervention seeking withdrawal as an intervening party while indicating neither support nor opposition to the proposed merger. By this Order, we grant Covad's request.

DISCUSSION

MCI, Inc., is a corporation organized under the laws of the State of Delaware. Although MCI is not a regulated telephone corporation within the State of Utah, MCI's subsidiaries MCImetro Access Transmission Services LLC, MCI WorldCom Communications, Inc., MCI WorldCom Network Services, Inc., Teleconnect Long Distance Services and Systems Co. d/b/a Telecom USA and TTI National, Inc. (collectively "MCI subsidiaries") provide consumer services, including interstate long distance services, intrastate toll services, competitive local exchange services, and other telecommunications services in Utah.

Verizon is also a corporation organized under the laws of the State of Delaware. Verizon provides no telecommunications services and is not a regulated telephone company within any jurisdiction. Verizon's local telephone subsidiaries are subject to public utility regulation in twenty-nine states, Puerto Rico and the District of Columbia, but no Verizon subsidiary provides local exchange services in Utah.

The Parties indicate that, pursuant to the proposed acquisition, there will be no merger of any assets, operations, lines, plants, franchises, or permits of MCI's regulated subsidiaries with the assets, operations, lines, plants,

franchises, or permits of any Verizon entity. Similarly, the Agreement does not call for any change in the rates, terms, or conditions for the provision of any telecommunications service provided in Utah. Instead, the merger will effect an indirect change in the control of these certificated MCI subsidiaries, as they will all become second-tier subsidiaries of Verizon.

The Parties identify a number of benefits which they believe will arise from the merger. The Parties state the merger will not change the MCI subsidiaries' relationship with the Commission or interfere with the Commission's jurisdiction or the quality of service that MCI subsidiaries are able to offer to Utah customers. The Parties also state the proposed transaction will greatly enhance the abilities now possessed separately by MCI and Verizon to provide a comprehensive suite of services to consumer, businesses and government customers; will bring together two companies with complimentary strengths in a way that will benefit the existing customers of both; and will enhance Verizon's ability to compete for and serve large business and government customers in Utah by improving the speed of delivery for competitively priced wireline, broadband, wireless and IP-based services.

The Division states that because Verizon has indicated it will continue to operate MCI as a Competitive Local Exchange Carrier ("CLEC") in Utah, and because neither MCI nor Verizon maintains a dominant position in the Utah telecommunications market, the competitive landscape within the State will only be marginally impacted, if at all. The Division notes that MCI's service as a CLEC amounts to less than 5% of the total telecommunications customers in the State.

The Division notes one potential impact of the proposed merger could be the loss of an advocate for CLEC issues within the state since MCI has been an active participant in the past in a variety of cases before the Commission. However, the Division also notes MCI's involvement in such cases has recently waned.

Utah Administrative Code Rule 746-110-1, authorizes the Commission to adjudicate a matter informally under *Utah Code Annotated* § 63-46b-5 when the Commission "determines that the matter can reasonably be expected to be unopposed and uncontested." We note that, despite the passage of more than six months since the Parties submitted their Joint Notice, only one party has sought intervention and that party subsequently decided to withdraw as

an intervener. We therefore view this matter as unopposed and uncontested and determine to proceed informally without hearing.

Based upon the evidence submitted by the Parties and the Division's recommendation, we find and conclude that the proposed merger will not harm and can provide benefits to the State of Utah, its citizens, or the Utah customers of MCI and Verizon and is in the public interest.

Wherefore, we enter the following:

ORDER

1. Granting Covad's request to withdraw as an intervening party to this docket.
2. Tentatively approving the proposed merger of MCI, Inc., and Verizon Communications, Inc.
3. Absent meritorious protest, this Order shall automatically become effective without further action twenty (20) days from the date of this Order.
4. Persons desiring to protest this Order may file said protest prior to the effective date of this Order. If the Commission finds said protest to be meritorious, the effective date shall be suspended pending further proceedings.

Pursuant to Utah Code §§63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the effective date of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code §§63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 16th day of September, 2005.

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary