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Division of Public Utilities

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April 19, 2005

**TO: PUBLIC SERVICE COMMISSION**

**FROM: DIVISION OF PUBLIC UTILITIES**

Irene Rees, Director  
Wes Huntsman, Manager, Telecommunications  
Peggy Egbert, Technical Consultant  
Casey J. Coleman, Utility Analyst

**Re: In the Matter of the Proposed Acquisition of MCI, Inc by Verizon  
Communications, Inc. Docket No. 05-2430-01**

**RECOMMENDATION:**

The Division has been following the events dealing with the merger of MCI, Inc. by Verizon Communications, Inc. Because of the nature of the transaction and the ambiguity of the deal, the Division recommends that the Commission continue to watch the merger negotiations and allow time for the situation to clear.

**BACKGROUND:**

On March 30, 2005 the Commission received notification from Verizon Communications, Inc "Verizon" to acquire MCI, Inc. "MCI" in a cash and stock deal. In the letter Verizon indicates that the transaction does not require "prior Commission approval under Utah law". Nevertheless, "because several Utah telecommunications companies are indirectly involved" a brief description of the transaction was provided.

The Division finds the gesture by Verizon gallant but also questions the timing of the letter. As of April 19, 2005 it is not even certain if MCI is going to be purchased by Verizon or another suitor Qwest. There have been numerous articles discussing the battle that is ensuing between potential board members of MCI and investors of MCI. The Division asserts that it is quite premature to begin any kind of detailed investigation until there is some level of clarity to which company may ultimately purchase MCI.

Because of the uncertainty, the Division believes that it is beneficial for the Commission to leave this docket open and allow the Division time to investigate the merger further.