

January 21, 1997

Stephen F. Mecham, Chairman
Clark D. Jones, Commissioner
Constance B. White, Commissioner
Utah Public Service Commission
160 East 300 South
Heber M. Wells Building, 4th Floor
Salt Lake City, Utah 84145

Re: Merger of MCI Communications Corporation, Inc. and British Telecommunications plc

Dear Commissioners:

MCI Telecommunications Corporation, Inc., provides intraLATA and interLATA telecommunications services in Utah. In addition, Telcom*USA dba Teleconnect Long Distance Systems and Services Company provides intrastate services as a reseller and an operator services provider. Finally, MCImetro Access Transmission Services, Inc., has just been authorized by this Commission to provide local exchange services. These companies are pleased to notify you that MCI Communications, Incorporated (MCIC), their corporate parent, has agreed to a merger with British Telecommunications plc (BT). This letter constitutes the notice of the proposed merger to the Commission. It is my understanding that no approval is required from the Commission of the proposed merger. If my understanding is incorrect, please advise me. Approval is being sought from the Federal Communications Commission, as required by federal law.

MCI is a Delaware corporation whose principal place of business is the District of Columbia. Through its many subsidiaries, MCI provides communications services in both the domestic and international markets. Its services include voice, data, messaging, facsimile and a variety of enhanced services.

BT is headquartered in London and provides telecommunications services in the United Kingdom ("UK") and worldwide. BT's main products and services are local, long-distance and international calls; telephone lines, equipment and private circuits for homes and businesses; providing and managing private networks; and supplying mobile communications services. BT is involved in a variety of joint ventures and arrangements in mainland Europe, and has partnerships or distributorship arrangements in a number of countries in the Asia-Pacific region.

The new merged entity resulting from the merger of MCIC and BT will be a strong competitor in several different telecommunications markets. The merged entity will share the combined strengths of its two merging companies, and the merger will create new abilities and opportunities.

For the Utah intrastate jurisdiction, MCIT, MCImetro and Teleconnect will continue in business under their present names and forms. The financial strength of their common corporate parent will

be enhanced by the merger, result in improved financial backing for these corporate subsidiaries. Service to existing customers in Utah will not be impaired in any way by this transaction.

The merger will build on the alliance between these two firms established in 1994, when BT acquired a 20 percent interest in MCI. The merger of MCI and BT will create a unified telecommunications company--to be named Concert plc ("Concert") following on the success of their global joint venture company of the same name--with experience in local, intercity, and international services.

Under the terms of the Merger Agreement, following Federal Communications Commission ("FCC") and other required approvals MCI will be merged into a US subsidiary of BT, now known as Tadworth Corporation ("Tadworth"), formed specifically to effect the merger. The separate corporate existence of MCI will then cease. Tadworth will be renamed MCI Communications Corporation. Concurrently, BT will be renamed Concert plc ("the new Concert") and the BT UK operations will be placed into a subsidiary of the new Concert. MCIC's current subsidiary corporations will continue their existence in the same parent-subsidary relationships as currently exist within MCIC. Iain Vallance, the Chairman of BT, and Bert C. Roberts, Jr., Chairman of MCIC, will be appointed Co-Chairmen of the new Concert. Gerald H. Taylor, Chief Executive Officer of MCIC, will become President and Chief Operating Officer of the new Concert. The officers of MCIC immediately prior to the time of the merger will be unaffected by the merger. The Board of Directors of the MCIC subsidiaries holding state authorizations will be comprised entirely of US citizens.

The merger of MCI and BT will create a single global telecommunications company, with transglobal customers, a multinational management team, dual transatlantic headquarters, and shares traded on three stock exchanges worldwide. The merged company, Concert, will be well-positioned to offer customers the most technologically advanced and competitive services. The combined entity will have the financial resources to enable it to invest heavily in its networks and to provide services to residential and business customers in new, capital intensive markets

The merger with BT will establish a company with the resources to capitalize on the expanding opportunities in this changing competitive telecommunications marketplace, and will enhance MCI's ability to build its new business across the country. The merger also will bring together the distinct but complementary experiences and skills of MCI and BT. MCI brings to BT not merely its celebrated product development and marketing prowess, but an outstanding management and staff driven to capitalize on new markets and technology. BT brings to MCI its technical and marketing experience in a competitive local telephone business, which may be helpful as MCI continues to expand its local market entry efforts. Similarly, MCI will benefit from BT's successful participation in the wireless business through BT's interest in Cellnet, a UK cellular carrier, and through BT's paging operations. With the merger, MCI will be able to take advantage of BT's broad experience to become a stronger new competitor in both local wireline and wireless markets.

The merger of MCI and BT also will produce substantial cost savings through economies of scale. In addition to the technical and product planning functions described above, the companies plan to combine administrative functions, including such matters as purchasing. Based on a joint preliminary study, the two companies expect that there will be a pre-tax synergy benefit arising from a full integration of the two businesses amounting to approximately \$2.5 billion over five years following the closing of the merger. These savings are expected to arise primarily through economies of purchasing and procurement and through the combination of the companies' operations, with no significant decrease in US employment.

These efficiencies will benefit shareholders and consumers by further enhancing MCI's financial standing and making it an even stronger competitor, especially as it expands its local service offerings.

The proposed MCI-BT merger will also promote effective competition in the global market for communications services and encourage foreign governments to open their communications markets. The merger will promote effective competition and the opening of foreign markets by demonstrating the benefits of efficiency and service innovation that a full alliance of firms from the world's two most open markets can generate for consumers in the US, the UK, and around the world. The competitive market expertise and financial capability of the combined MCI and BT will be strong, positive forces for liberalization world-wide.

Please contact the undersigned if you need additional information or have any questions concerning this matter.

Sincerely yours,

Thomas F. Dixon

cc:

Audrey Curtiss, DPU
Larry Fuller, DPU
Don Sussman, MCI
Gardner Gillespie, BT