

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Joint Application of )  
WORLD COM, INC., and )  
INTERMEDIA COMMUNICATIONS, )  
INC., for Approval to Transfer Control )  
of Intermedia Communications, Inc., to )  
WorldCom, Inc. )

DOCKET NO. 00-2245-01

REPORT AND ORDER

ISSUED: December 19, 2000

SYNOPSIS

Preservation of Intermedia Communications, Inc., as a competitor in the local market appearing to be in the public interest, and the proposed merger appearing conducive to such preservation, the Commission approved the proposed merger.

By the Commission:

PROCEDURAL HISTORY

On October 23, 2000, the above-named petitioners filed their joint petition for merger with the Commission. The matter was referred for review and recommendation to the Division of Public Utilities, Utah Department of Commerce (DPU), which filed its memorandum supporting the proposal December 5, 2000. Said memorandum is annexed hereto as Appendix A and incorporated herein by this reference.

For the reasons set forth in DPU's memorandum, specifically the preservation of Intermedia Communications, Inc., as a competitor in the local telecommunications market, we find approval of the proposed merger is in the public interest and that no evidentiary hearing is necessary or convenient for the disposition of this matter. Accordingly, we enter the

ORDER

- The proposed merger be, and it is, approved.
- 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 19th day of December, 2000.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

APPENDIX A

[DIVISION LETTERHEAD]

December 4, 2000

**TO: PUBLIC SERVICE COMMISSION**

**FROM: DIVISION OF PUBLIC UTILITIES**

Ric Campbell, Director

Ingo Henningsen, Manager, Telecommunications

Judith Hooper, Rate Analyst

Bart Croxford, Regulatory Analyst

**Re: Application of WorldCom, Inc. and Intermedia Communications Inc. for approval to transfer control of Intermedia Communications Inc. to WorldCom, Inc. in Docket No. 00-2245-01**

**Issues:**

WorldCom, Inc. ("WC") and Intermedia Communications Inc. ("ICI") filed for approval to transfer control of ICI to WC on October 23, 2000. The Division reviewed the application and found the following:

Both Applicants have received a certificate of public convenience and necessity - WC on May 19, 1998 and ICI on January 26, 1998. The Applicants assert that this transaction will not involve any transfer of certificates, assets or customers to a new entity as ICI will continue to hold the certificate issued to it by the Commission and operate in Utah pursuant to that certificate under the same rates, terms and conditions and accordingly, will be transparent to ICI's customers.

This transaction is necessitated by the recent decline of the stock market - ICI's stock has fallen from its high of \$77 per share in March 2000 to less than \$15 in August. ICI is now unable to secure capital and funding for its operations and has a negative net worth. As of June 30, 2000, ICI's balance sheet reflected long-term obligations and preferred stock totaling \$3.573 billion and, at \$15 per share, its market capitalization is only \$813 million.

ICI's claims that its business has suffered from the failure of ILECs to fully and fairly open their networks to competitors and to timely provision customers of competing carriers. Reciprocal compensation has been an important revenue component but some ILECs have refused to pay amounts ICI believes are due to it and the rates for this service are expected to decline. As of June 30, 2000, a total of some \$144.7 million in reciprocal compensation payments due to ICI had been withheld by ILECs nationwide. ICI has also experienced declining revenue from its interexchange services since it is subject to the same downward pricing pressure as the rest of the long distance industry. Finally, the Applicants point out that the entire competitive telecommunications industry has been adversely impacted by the continuing regulatory uncertainty resulting from recent court and FCC decisions regarding the extent to which ILECs must open their networks to competitors.

WC's principal objective in this transaction centers on ICI's controlling interest in Digex's Web-hosting business, which is a subsidiary of ICI. The Applicants believe that the resulting combination of Digex's assets with existing assets of WC will combine Digex's comprehensive range of managed, enterprise and portal

hosting solutions with its worldwide, facilities-based network and customer relationships as well as provide WC and Digex customers with a more complete portfolio of Internet products and services to help grow their e-business.

WC does not intend to change ICI's operations in any material respect; it will continue to hold the same Commission authorizations in Utah and, under these conditions, it claims it will continue to provide the same high-quality services to the same customer base at the same rates, terms and conditions and will operate in the ordinary course of business as it has been. In preserving the value of this asset for possible sale or for consolidation with WC's existing operations, it will be highly motivated to assure that the quality of ICI's services and its customer relations are maintained and that service to customers is not disrupted or degraded in any manner as a result of the transaction. At the same time, WC's assumption of ICI's debt and its provision of funds to cover operating losses and continued growth obviously will provide stability to ICI and, therefore, benefit its customers and the public interest in maintaining ICI as a long-distance and local exchange competitor.

### **Recommendation:**

The Division has reviewed the application and believes that the public interest will be served if ICI is allowed to merge with WC so that there will be continuous service and for the reasons stated above. It, therefore, recommends that the Commission approve the transfer of control from ICI to WC so that ICI will operate as a subsidiary of WC.

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Division of Public Utilities

Michael Ginsberg, Assistant Attorney General

Committee of Consumer Services