

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

July 25, 2005

IN RE:

**JOINT PETITION OF SBC COMMUNICATIONS, INC.,
AT&T CORP., TOGETHER WITH ITS CERTIFIED
TENNESSEE SUBSIDIARIES REGARDING CHANGE
OF CONTROL OF THE OPERATING AUTHORITY
OF AT&T'S TENNESSEE SUBSIDIARIES**

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**DOCKET NO.
05-00063**

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before Chairman Pat Miller, Director Sara Kyle and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on May 16, 2005 for consideration of the *Joint Filing of SBC Communications, Inc., AT&T Corp., and Its Certificated Tennessee Subsidiaries Regarding Change of Control ("Petition")* filed on February 28, 2005. SBC Communications, Inc. ("SBC") and AT&T Corp. ("AT&T") (collectively "Petitioners") request that the TRA approve the transfer of authority and ownership of AT&T and its certificated Tennessee subsidiaries to SBC.

Background

SBC wholly owns three subsidiaries that are authorized to provide competitive interexchange and local exchange telecommunications services in Tennessee. SBC Long Distance, Inc. ("SBC Long Distance") was authorized to provide competitive facilities-based local exchange services, exchange access services, operator services and resold intrastate interexchange telecommunications services in Tennessee by order issued on July 23, 2004 in TRA Docket No. 04-

00069. On May 22, 2000, in TRA Docket No. 00-00025, SBC Telecom, Inc. ("SBC Telecom") was authorized to provide facilities-based and resold competing local exchange and interexchange telecommunications services in Tennessee.¹ SNET America d/b/a SBC Long Distance East ("SBC East") is a wholly owned subsidiary of SBC and is authorized to provide resold interexchange and operator services by order issued September 17, 1996 in TRA Docket No. 95-02946.

AT&T, a holding corporation, provides domestic and international voice and data communications services to residential, business and government customers in the United States and around the world. AT&T Communications of the South Central States, LLC ("ATT South") is a wholly owned subsidiary of AT&T and is authorized to provide intraLATA and interLATA telecommunications services by order issued October 13, 1995 in TRA Docket No. 95-02790.

TCG Mid-South, Inc. ("TCG") is a wholly owned subsidiary of Teleport Communications Group, Inc., which, in turn, is a wholly owned subsidiary of AT&T. TCG is authorized to provide facilities-based and resold local exchange and interexchange telecommunications services by order issued July 14, 1997 in TRA Docket No. 97-00949.

Statutory and Regulatory Framework

The transfer at issue in this Docket is governed by Tenn. Code Ann. § 65-4-113 (2004).² That provision requires a public utility to obtain TRA approval before transferring its authority to provide utility services in Tennessee. Tenn. Code Ann. § 65-4-113(a) reads as follows:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

¹ SBC Long Distance and SBC Telecom were consolidated into SBC Long Distance, LLC on April 14, 2005. See *In re Joint Petition of Southwestern Bell Communications Services, Inc. d/b/a SBC Long Distance and SBC Telecom, Inc. for Approval of Internal Corporate Restructuring and Transfer of Assets to SBC Long Distance, LLC*, Docket No. 04-00357, Order Approving Merger (April 14, 2005).

² The *Petition* indicated that because a change of control at the parent level does not involve the transfer of certificates or the assets of a regulated utility, both Petitioners did not believe that Tenn. Code Ann. § 65-4-113 was applicable to the transaction. Although there is not a direct, explicit transfer of CCNs, customers, or assets, there is transfer of ownership to another holding company that results in an indirect, implicit transfer of authority.

Tenn. Code Ann. § 65-4-113(b) includes the standards by which the TRA shall consider an application for transfer of authority, in pertinent part as follows:

Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The *Petition*

The *Petition*, which was filed with the TRA on February 28, 2005, notified the Authority of the change of control of AT&T and its certificated Tennessee subsidiaries to SBC which will occur as a result of an Agreement jointly executed by SBC and AT&T on January 30, 2005 ("Agreement"). Following the transfer, AT&T will become a wholly owned subsidiary of SBC.

The *Petition* states that the transaction will be transparent and seamless for the customers of the subsidiaries of SBC and AT&T in Tennessee and there will be no transfer of assets or certificates of authority as part of this transaction. The Petitioners maintain that the transfer will produce a communications company with enhanced resources and expertise necessary to continue serving customers with innovative services.

The *Petition* further states that the Agreement serves the public interest. The Petitioners assert that the transfer will augment the competitive telecommunications markets within Tennessee and will enhance the abilities of the operating subsidiaries to offer a broad array of existing and emerging telecommunications and information services. According to the Petitioners, the combined business organization will be better able to meet the needs and demands of its customers.

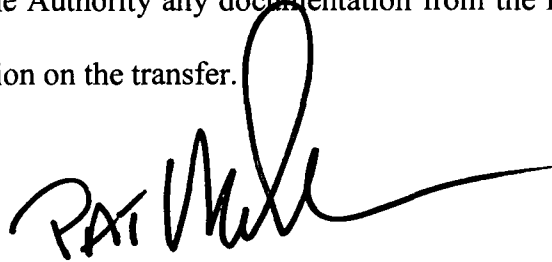
In addition to the *Petition* filed with the TRA, the Petitioners also have filed similar petitions with other governmental entities and other state regulatory agencies. The Petitioners state that they are taking steps to satisfy the requirements of the Federal Communications Commission ("FCC") and the Department of Justice with respect to the merger.

May 16, 2005 Authority Conference

At the May 16, 2005 Authority Conference, the panel voted unanimously, pursuant to a finding of compliance with the requirements of Tenn. Code Ann. § 65-4-113 (2004), to approve the *Petition* contingent on approval of the transfer by the Federal Communications Commission ("FCC") and the Department of Justice.

IT IS THEREFORE ORDERED THAT:

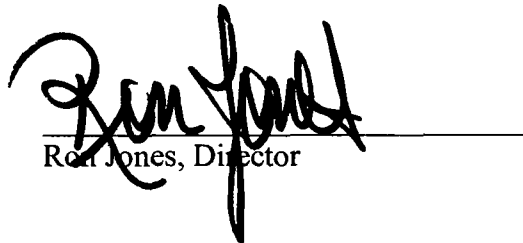
1. The transfer of authority from AT&T, and all its certificated Tennessee Subsidiaries, to SBC, as described in the *Petition* and herein, is approved contingent on approval of the transfer by the FCC and the Department of Justice.
2. The Petitioners shall file with the Authority any documentation from the FCC or Department of Justice regarding subsequent action on the transfer.



Pat Miller, Chairman



Sara Kyle, Director



Ron Jones, Director