

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

**April 10, 2006**

<b>IN RE:</b>	)	
	)	
<b>PETITION FOR APPROVAL OF VERIZON</b>	)	<b>DOCKET NO.</b>
<b>COMMUNICATIONS INC.'S</b>	)	<b>05-00066</b>
<b>ACQUISITION OF MCI, INC.</b>	)	

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**ORDER APPROVING TRANSFER**

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This matter came before Chairman Ron Jones, Director Deborah Taylor Tate and Director Pat Miller of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 22, 2005 for consideration of the joint notice ("Joint Petition") filed on March 8, 2005 by MCI, Inc. ("MCI") and Verizon Communications Inc. ("Verizon") describing a proposed corporate merger through which MCI will become a wholly owned subsidiary of Verizon. The proposed transaction will result in an indirect transfer to Verizon of the certificates of public convenience and necessity ("CCNs") held by MCI's operating subsidiaries in Tennessee. The merger therefore requires Authority approval pursuant to Tenn. Code Ann. § 65-4-113 (2004).

**Background and Joint Petition**

Verizon is a Delaware corporation. Although Verizon's local telephone subsidiaries are subject to public utility regulation in twenty-nine (29) states, neither Verizon nor any Verizon subsidiary operates as a public utility in the State of Tennessee.

MCI is a Delaware corporation and a facilities-based network operator. Five (5) MCI operating subsidiaries are certificated public utilities in Tennessee authorized to provide telecommunications services:

- 1) **MCImetro Access Transmission Services LLC** ("MCImetro"): MCImetro is a Delaware corporation, which received CCN authorization from the Tennessee Public Service Commission ("TPSC") as a competitive local exchange carrier ("CLEC") and an interexchange carrier, as memorialized in the Order dated November 20, 1995 in TPSC Docket No. 93-08793.<sup>1</sup> MCImetro provides a full range of telecommunications services, including intrastate private line services, telecommunications access services, switched local exchange and carrier access services.
- 2) **MCI WorldCom Communications, Inc.** ("MCI Communications"): MCI Communications is a Delaware corporation, which obtained Tennessee authorization to provide CLEC and resold intrastate long distance services in Tennessee pursuant to a transfer of operating authority from other public utilities, authorized by the TRA in Docket No. 97-01361 by Order dated January 30, 1998.<sup>2</sup>
- 3) **MCI WorldCom Network Services, Inc.** ("MCI Network Services"): MCI Network Services is a Delaware corporation, which received its original certification to provide resold interexchange services from the TPSC in TPSC Docket No. U-84-7311 by Order dated April 19, 1985.<sup>3</sup>
- 4) **SouthernNet, Inc. d/b/a Teleconnect and Telecom\*USA** ("SouthernNet"): SouthernNet received a CCN as an interexchange telecommunications reseller and/or operator service provider in Tennessee in TPSC Docket No. 95-03311 by Order dated November 10, 1995.<sup>4</sup>
- 5) **TTI National, Inc.** ("TTI"): The TPSC granted TTI a CCN as a telecommunications reseller and/or operator service provider in Tennessee by Order dated June 26, 1996 in TPSC Docket No. 96-01000.

<sup>1</sup> MCImetro was known as MCImetro Access Transmission, Inc. at that time. The company later reorganized and changed its name to MCImetro Access Transmission Services LLC. See *In re: Petition of WorldCom, Inc. for Grant of the Authority Necessary for Restructuring and Certain Related Intra-Corporate Transactions Undertaken to Consummate WorldCom's Plan of Reorganization Under Chapter 11 of the Federal Bankruptcy Code*, Docket No. 03-00525, *Order Approving Transactions and Customer Notification Letter*, p. 3, n. 2 (December 30, 2003).

<sup>2</sup> At that time, MCI Communications was known as WorldCom Technologies, Inc. In 1999, the company changed its name to MCI WorldCom Communications, Inc. as part of a corporate reorganization. *In re: Petition of MCI WorldCom, Inc., WorldCom Network Services, Inc., MFS Communications Company, Inc. MCI Communications Corp., MCI Telecommunications Corp., and WorldCom Technologies, Inc. for Authority to Reorganize and for Related Transactions* ("MCI/WorldCom Reorganization"), Docket No. 99-00433, *Order Approving Reorganization and Related Transactions*, p. 2 (October 29, 1999). After the panel's consideration of the current docket, the company again changed its name to MCI Communications Services, Inc. *In re: Notice of Name Change from MCI WorldCom Communications, Inc. to MCI Communications Services, Inc.*, Docket No. 05-00205, *Order Granting Approval of the Petition of MCI WorldCom Communications, Inc. to Amend its Corporate Name* (January 4, 2006).

<sup>3</sup> MCI Network Services at that time operated under the name MCI Telecommunications Corporation. The company changed its name as part of the 1999 corporate reorganization. *MCI/WorldCom Reorganization*, Docket No. 99-00433, *Order Approving Reorganization and Related Transactions*, pp. 1-3 (October 29, 1999). After the panel's consideration of the current docket, the company again changed its name to MCI Network Services, Inc. *In re: Notice of Name Change from MCI WorldCom Network Services, Inc. to MCI Network Services, Inc.*, Docket No. 05-00206, *Order Granting Approval of the Petition of MCI WorldCom Network Services, Inc. to Amend its Corporate Name* (January 3, 2006).

<sup>4</sup> SouthernNet's original CCN was issued in the name SouthernNet, Inc. By Order dated April 21, 1998, the TRA corrected the CCN to reflect the company's full name, SouthernNet, Inc. d/b/a Teleconnect and Telecom\*USA. After the panel's consideration of the current docket, SouthernNet's CCN was transferred to Teleconnect Long Distance Services and Systems Co., which operates under the brand name Telecom\*USA. *In re: Petition of MCI, Inc. for Approval of the Merger and Transfer of Certificate of Convenience and Necessity of SouthernNet, Inc. to Teleconnect Long Distance Services and Systems Co.*, Docket No. 05-00248, *Transcript of Authority Conference*, pp. 26-27 (November 21, 2005).

On March 8, 2005, the MCI and Verizon ("Petitioners") filed the Joint Petition notifying the Authority of the proposed acquisition of MCI by Verizon. As a result of an Agreement and Plan of Merger between the Petitioners, MCI will be merged with and into ELI Acquisition, LLC ("ELI"), a subsidiary of Verizon created for purposes of this transaction. After the transaction, ELI will be the surviving company. Verizon will be ELI's parent corporation, and Verizon intends to rename ELI as "MCI, LLC." Upon completion of the transactions, all MCI subsidiaries will be second-tier subsidiaries of Verizon. The authorizations and licenses currently held by the MCI subsidiaries will continue to be held by the respective entities, but Verizon's acquisition of MCI will result in the indirect transfer to Verizon of the operating entities' CCNs.

The Petitioners assert that the transactions do not involve any assignment of operating authority or change in customers' service providers.<sup>5</sup> They affirm that the proposed acquisition will have no adverse impact on service quality and will cause no change in the rates, terms or conditions by which the operating entities provide service.<sup>6</sup> Further, the Joint Petition states that the Petitioners will not consummate the transaction until they have obtained all necessary governmental and regulatory approvals and reviews,<sup>7</sup> and both MCI and Verizon will continue to operate as independent entities until the transaction is completed.<sup>8</sup>

The Petitioners contend that the proposed transaction is in the public interest. According to the Joint Petition, the transaction will benefit enterprise and government customers, consumers

<sup>5</sup> Data Response, p. 2 (April 15, 2005).

<sup>6</sup> Joint Petition, p. 2 (March 8, 2005); Data Response, p. 2 (April 15, 2005).

<sup>7</sup> The Petitioners sought review by the U.S. Department of Justice and approval by the Federal Communications Commission and several state commissions. Joint Petition, p. 2 (March 8, 2005); Data Response, p. 1, Ex. A (April 15, 2005). The Department of Justice entered a consent decree with the Petitioners on October 27, 2005, providing clearance for the acquisition, and the FCC granted the Petitioners' application for approval on November 17, 2005. *Verizon Communications Inc. and MCI, Inc.; Applications for Approval of Transfer of Control*, WC Docket No. 05-75, *Memorandum Opinion and Order*, FCC 05-184, 2005 WL 3099625, \*1, ¶ 2, \*3, ¶ 4, \* 6, ¶ 15 (rel. November 17, 2005).

<sup>8</sup> Joint Petition, p. 2 (March 8, 2005).

and small business customers, investors in both MCI and Verizon, the American economy, Tennessee's economy and employees of MCI and Verizon. The Petitioners assert the transaction will enable both Verizon and MCI to provide a comprehensive suite of services to consumers, businesses and government customers.<sup>9</sup> The Joint Petition states that the transaction will ensure MCI's customers continue to be served by a strong provider of telecommunications services, given Verizon's financial strength and the Petitioners' investment in advanced broadband and wireless networks.<sup>10</sup> According to the Joint Petition, the transfer will create a global industry leader by simultaneously strengthening America's premier telecommunications network builder and America's leading service provider.<sup>11</sup>

#### **August 22, 2005 Authority Conference**

Tenn. Code Ann. § 65-4-113 (2004) requires a public utility to obtain TRA approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) (2004) states 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.

Tenn. Code Ann. § 65-4-113(b) (2004) provides the standards by which the TRA considers an application for transfer of authority, 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 authority shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

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<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 4-5.

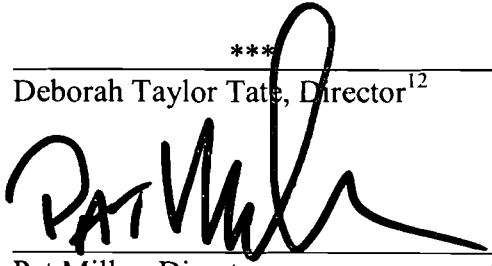
<sup>11</sup> *Id.* at 5.

At the regularly scheduled Authority Conference held on August 22, 2005, the voting panel assigned to this docket noted the applicability of Tenn. Code Ann. § 65-4-113 (2004) and found that the proposed transfer furthers the public interest to the extent that the consolidation will not reduce the number of providers in Tennessee. The panel voted unanimously to approve the Joint Petition, contingent upon the Petitioners obtaining approval of the applications for approval of transfer of control pending before the Federal Communications Commission ("FCC"). The panel further directed that the Petitioners file with the Authority a copy of the FCC's approval of the applications when granted.

**IT IS THEREFORE ORDERED THAT:**

1. The proposed acquisition of MCI, Inc. by Verizon Communications Inc., as described in the Joint Petition and discussed herein, is approved contingent upon the Petitioners obtaining FCC approval of the pending applications for approval of transfer of control.
2. The Petitioners shall file with the Authority a copy of any FCC approval of the applications when granted.

  
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Ron Jones, Chairman

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Deborah Taylor Tate, Director<sup>12</sup>  
  
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Pat Miller, Director

<sup>12</sup> Director Tate voted in agreement with the other directors but resigned her position as director before the issuance of this order.