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June 2, 2006

Chairman Ron Jones
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243
Attention: Sharla Dillon

Via Hand Delivery

Re: Direct Testimony of Debbie Goldman, Docket No. 06-00093

Dear Chairman Jones:

Enclosed for filing in the above-referenced docket is the original and thirteen (13) copies of the Direct Testimony of Debbie Goldman on behalf of Communications Workers of America, AFL-CIO and the accompanying Exhibits to her testimony. Under cover of this letter, copies of this filing are being served upon all parties involved in this case.

An extra copy of this letter and the Direct Testimony of Debbie Goldman on behalf of Communications Workers of America, AFL-CIO are enclosed. Please stamp these extra copies "Filed" and return to me. Should you have questions or concerns with this filing, please do not hesitate to contact me at your convenience.

Sincerely yours,

DONALD L. SCHOLES

Enclosures
c: Guy Hicks
Lisa Foshee
Jack Robinson, Jr.
Charles B. Welch, Jr.,
H. LaDon Baltimore
Susan Berlin
Timothy Phillips
Debbie Goldman

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CWA Statement

BEFORE THE TENNESSEE REGULATORY AUTHORITY

In Re: Joint Filing of AT&T Inc. and BellSouth Corporation together with its Certificated Tennessee Subsidiaries regarding Change of Control of the Operating Authority of BellSouth Corporation's Tennessee Subsidiaries	:	Docket No. 06-00093

DIRECT TESTIMONY
OF
DEBBIE GOLDMAN

On Behalf of

Communications Workers of America

June 2, 2006

Introduction and Summary

Q. Please state your name, business address, employer and position.

A. My name is Debbie Goldman. My business address is 501 Third St. N.W., Washington, D.C. 20001. I am employed as a Research Economist for the Communications Workers of America ("CWA").

Q. Please describe your educational background and work experience.

A. I received a Bachelors Degree in History from Harvard University in 1973, a Masters Degree in Public Policy from the University of Maryland in 1996, and a Masters Degree in Education from Stanford University in 1975. I have been employed as a Research Economist at CWA since 1992.

Q. What are the duties and responsibilities of your present position?

A. My primary responsibilities include telecommunications policy, financial analysis, and regulatory intervention. I have provided testimony and formal comments on behalf of CWA in more than 55 proceedings before the Federal Communications Commission ("FCC"), the U.S. Department of Justice, and state regulatory proceedings.

Q. What is the purpose of your testimony?

A. I am presenting testimony on behalf of CWA. My testimony will demonstrate that the proposed merger between AT&T and BellSouth could result in the loss of good jobs in the state of Tennessee, with negative consequences for the quality of service provided by BellSouth to Tennessee consumers. To protect against such a possibility and to ensure that the proposed merger is consistent with the public interest, the Tennessee Regulatory Authority ("TRA") should condition merger approval upon the following conditions.

First, the Joint Applicants should commit to maintain the highest standards of service quality. Second, the Joint Applicants should commit to upgrade every central office in the state for DSL capability within two years. Third, the Joint Applicants should be required to maintain employment levels in the state of Tennessee for at least three years after the merger closes at the same level as on the date the merger closes. Fourth, the Joint Applicants shall commit that the merged entity shall not close any technical operations, call centers, or other facilities in the state of Tennessee for three years after the merger closes.

The Proposed Merger Could Result in the Loss of Good Jobs in Tennessee, with Negative Impact on Service Quality

Q. According to the Joint Applicants, what are the public interest benefits of the proposed merger?

A. According to the Joint Applicants, the proposed merger will improve the quality and variety of communications services offered to the citizens of Tennessee, including converged wireline/wireless services, more rapid deployment of facilities-based competitive video services in Tennessee, enhanced disaster recovery, and in general better and more efficient service. Despite anticipated staff reductions, the Joint Applicants claim that the proposed merger will enhance the quality of service provided to BellSouth customers in Tennessee. (Joint Filing of AT&T Inc. and BellSouth Corporation Together with Its Certificated Tennessee Subsidiaries regarding Change of Control of BellSouth Corporation's Tennessee Subsidiaries, Docket No. 06-00093, March 31, 2006 ("Application"), pp.6-9). CWA members look to share in this anticipated growth.

Q. How many employees does CWA represent at BellSouth and Cingular in the state of Tennessee, regionally, and across the nation?

A. CWA represents virtually all of the occupational employees at BellSouth and Cingular in Tennessee, including approximately 3,500 BellSouth employees and 1,700 Cingular employees. These are good jobs that pay middle-class wages, good benefits, and provide career employment in communities throughout Tennessee. CWA represents more than 42,000 BellSouth employees in the nine-state region. Nationally, CWA represents more than 97,000 AT&T employees and more than 36,000 Cingular employees.

Q. Does CWA represent any other employees in Tennessee?

A. Yes. CWA represents an additional 5,200 employees in Tennessee.

Q. What impact will the proposed merger have on employment in the state of Tennessee?

A. The Joint Applicants state that the merger will result in the loss of 10,000 jobs nationally after the merger. The Joint Applicants do not indicate how many of the job cuts will be in Tennessee. (Application, p 15; CWA DR4, "CWA Exh. 1. "BellSouth Employee FAQs related to the BellSouth-AT&T Merger, updated as of March 31, 2006," p.2.) The Joint Applicants project that half of the $13.9 billion in operating expense synergies will result from headcount reduction.[1] (CWA Exh. 2. "AT&T, BellSouth Merger: Substantial

[1] The Joint Applicants project $18 billion in net synergies, consisting of 77 percent ($13.9 billion) in operating expense synergies, 9 percent ($1.6 billion) in revenue synergies, and $2.5 billion in CapEx synergies. *See* CWA

Synergy Opportunities, Strengthened Growth Platforms in Wireless, Business, and Integrated Services")

Q. Have the Joint Applicants provided the CWA with any information regarding the impact of the proposed merger on jobs in Tennessee or elsewhere?

A. Consistent with CWA's duty and obligation to represent our members, CWA has discussed the employment impact of the proposed merger with BellSouth and AT&T. Consistent with the Joint Applicants' claims that the proposed merger will result in growth, delivery of new and better services, and enhanced service quality, CWA has sought assurance that the projected merger would not result in loss of jobs for our members in Tennessee and elsewhere. We have also sought assurance that as BellSouth becomes part of a national company, the merged entity will not close facilities and transfer work out-of-state.

Q. Have the Joint Applicants provided CWA with any commitments regarding employment security?

A. To date, BellSouth and AT&T have not provided CWA with any commitments regarding the employment security of our members. In response to a CWA Data Request in this proceeding, the Joint Applicants have provided a vague statement that "the jobs and work opportunities for BellSouth's and Cingular's employees in Tennessee will be largely unaffected by the merger." (CWA DR4)

Exh. 2. AT&T, Bellsouth Merger: Substantial Synergy Opportunities, Strengthened Growth Platforms in Wireless, Business, and Integrated Services.

Q. The Joint Applicants claim that any job loss will come from attrition. Does this provide any reassurance to CWA?

A. No, it does not. CWA is particularly concerned that the merger of BellSouth into a national company could result in the closing of technical operations, call centers, or other facilities in Tennessee and movement of work out of state. This would result in the destruction of good, family-supporting jobs in communities throughout the state of Tennessee, and impact the quality of service provided to customers in Tennessee.

Q. What impact could reduction in employment or closing of facilities have on Tennessee consumers?

A. Quality service requires adequate staffing by career, trained employees. It is particularly important that the TRA address service-impacting employment issues in the context of this merger to ensure that the merged entity deploy sufficient, well-trained staff who are experienced servicing Tennessee customers.

Precedents from Other AT&T Mergers

Q. Is there precedent for CWA's concern that the merged entity could close in-state facilities and move work out of Tennessee?

A. Yes. We need only look at what happened after SBC bought the "old" AT&T. During that merger review process, SBC and AT&T assured state Commissions that the merger would create a much stronger job outlook for the combined organization and would have a positive impact on employment in the states. Six months after the closing of the merger, AT&T announced a reduction-in-force, including the closure of consumer call centers in

Pennsylvania, Arizona, and Massachusetts and 25 percent reduction in positions at the TRS relay center for the hard of hearing in Pennsylvania.

Q. How did the Pennsylvania Public Utility Commission ("PUC") respond to AT&T's announced reduction-in-force ("RIF") and call center closing?

A. The Pennsylvania PUC opened an investigation, noting that "utility RIFs may impact the safe and reliable service to the public required by law." (CWA Exh. 3. Pennsylvania Public Utility Commission, In Re: Informal Investigation of AT&T, Inc., Order, May 19, 2006) Prior to an Order being entered, Pennsylvania Governor Rendell and AT&T announced in the media that AT&T had committed to forego the RIFs and call center closing.

Merger Conditions

Q. Should the TRA impose conditions in approving the AT&T/BellSouth merger, and if so, what conditions do you recommend?

A. To protect the public interest in reliable, quality service, CWA recommends that the TRA condition merger approval upon four conditions. First, the Joint Applicants should commit to maintain the highest standards of service quality. Second, the Joint Applicants should commit to upgrade every central office in the state for DSL capability within two years. Third, the Joint Applicants should be required to maintain employment levels in the state of Tennessee for at least three years at the same level as on the date the merger closes. Fourth, the Joint Applicants shall commit that the merged entity shall not close any technical operations, call centers, or other facilities in the state of Tennessee for three years after the merger closes.

Q. Could you provide precedents from other states for conditions related to employment level guarantees?

A. Many state Commissions have conditioned merger approval upon commitments to maintain or grow employment based on the understanding that adequate staffing is necessary to protect the public interest in quality, reliable service. SBC made such commitments to state Commissions in each of its prior mergers. In approving the SBC purchase of Ameritech in 1999, the Ohio PUC required then-SBC (now "AT&T") to maintain in-state employment for two years and the Illinois Commerce Commission required SBC to maintain regional employment at its current level. (Before the Public Utilities Commission of Ohio, In the Matter of the Joint Application of SBC Communications Inc, SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control, Opinion and Order, Case No. 98-1082-TP-AMT, April 8, 1999 ("Ohio AT&T/SBC Order"); "Ill. Conditionally Okays SBC-Ameritech Merger," *State Telephone Regulation Report,* Oct. 1, 1999, 1-3, 5.) When the California PUC approved SBC's purchase of Pacific Telesis in 1997, the Commission required SBC to create at least 1,000 new jobs in California. (Before the Public Utilities Commission of the State of California, In the Matter of the Joint Application of Pacific Telesis Group (Telesis) and SBC Communications, Inc. (SBC) for SBC to Control Pacific Bell (U 1001 C), Which Will Occur Indirectly as a Result of Telesis Merger With a Wholly Owned Subsidiary of SBC, SBC Communications (NV) Inc., Decision 97-03-067, March 31, 1997 ("SBC/PT Decision")). Further, when SBC purchased Southern New England Telephone (SNET) in 1998, the Connecticut Department of Public Utility Control confirmed SBC's commitment to create at least 1,400 more jobs in the state. (State of Connecticut Department of Public Utility Control, Joint Applications of SBC Communications Inc. and Southern New England Telecommunications Corporation for a Change of Control, Decision, Docket No. 98-02-20, Sept. 2, 1998 ("SBC/SNET Decision")) (*See also* CWA Exh 4.)

Just last month, the Kentucky Commission approved the spin-off of Alltel's wireline properties and merger with Valor Communications Group to form Windstream Communications. In the Order approving that transaction, the Commission noted that the Applicants agreed that "(N)o reduction in the employee headcount in Kentucky would occur as a result of this transaction." (In the Matter of Application for Approval of the Transfer of Control of Alltel Kentucky, Inc. and Kentucky Alltel, Inc., Order ("KY Alltel Order"), Case No. 2005-00534, May 23, 2006). In 2002, the Kentucky Commission imposed a number of conditions on the transfer of Verizon properties to Alltel, including a requirement that Alltel hire an additional 240 customer service workers to ensure quality service, meet stringent service quality standards, and expand DSL deployment. (In the Matter of Petition by Alltel Corporation to Acquire the Kentucky Assets of Verizon South, Incorporated, Case No. 2001-00399, Feb. 13, 2002).

Additional employment guarantees required by state Commissions in other large mergers include the New York Public Service's requirement that the merged Bell Atlantic/NYNEX hire 750 to 1,000 new employees; the Illinois Commerce Commission requirement that the merged Bell Atlantic/GTE maintain employment levels; and the New York PSC's requirement that Global Crossing/Frontier maintain workforce levels.

(State of New York Public Service Commission, Petition of the New York Citizens Utility Board et al for an Investigation of the Proposed Merger of NYNEX Corporation and Bell Atlantic Corporation, Order Approving Proposed Merger Subject to Conditions, Case 96-C-0599, March 21, 1997 ("NY Bell Atlantic-NYNEX Order"); State of New York Public Service Commission, Joint Petition of Global Crossing, Ltd. and Frontier Corporation for Approval of the Acquisition by Global Crossing Ltd. of all the Outstanding Shares of Frontier Corporation's Common Stock, Order Approving Petition, Case 99-C-0530, Dec. 1, 1999; Illinois Commerce Commission, GTE Corporation and Bell Atlantic Corporation Joint Application for the Approval of a Corporate Reorganization Involving a Merger of GTE Corporation and Bell Atlantic Corporation, Order, 98-0866, Oct. 29, 1999 ("Illinois Bell Atlantic-GTE Order")).

Q. Are there precedents regarding closing of facilities and movement of work out of state?

A. When Bell Atlantic and GTE merged in 2000 to create a national company, CWA signed a Memorandum of Agreement in which the merged company, Verizon, agreed that it would not move more than 0.5 percent of jobs on an annual basis out of a designated geographic area (defined as either a metropolitan area, a portion of a state, or the entire state, depending on the geographic area). Subsequently, CWA and Verizon renegotiated the Memorandum of Understanding to permit movement of up to 0.7 percent of jobs on an annual basis out of the designated geographic area. This agreement has provided Verizon flexibility, while preserving community jobs and careers for Verizon occupational employees.

Q. Has CWA proposed a limitation on movement of work in discussions with BellSouth and AT&T?

A. Yes, but we have not made progress.

Q. Could you provide precedents from other states for conditions related to broadband deployment and network investment?

A. Yes. The list is a long one. I provide these examples that are illustrative although not exhaustive. The California PUC required the merged AT&T/SBC to establish a $60 million infrastructure fund for emerging broadband technologies ("SBC/PT Decision"). The Ohio PUC required SBC to invest $1.3 billion in it local network for five years after the SBC/Ameritech merger ("Ohio AT&T/SBC Order").

In 1999, the Kentucky Commission also imposed a number of conditions in approving the Bell Atlantic/GTE merger, including, but not limited to, a $222 million capital investment program over three years, requirements to expand deployment of advanced services, and mandates to meet high levels of service with reporting requirements. In the Order approving the transaction, the Commission affirmed the Applicants' statement that the merger would result in "very little, if any, impact on the number of hourly employees." (In the Matter of Joint Application of Bell Atlantic Corporation and GTE Corporation for Order Authorizing Transfer of Utility Control, Order, Case No. 99-296, Sept. 7, 1999).

In approving the Bell Atlantic/GTE merger, the Illinois Commerce Commission required a $270 million three-year network investment (Illinois Bell Atlantic-GTE Order) and the Pennsylvania PUC imposed $2.5 billion in network investment requirements over three years ("Ill. And Pa. Approve BA-GTE Merger, With Each State Attaching 23 Conditions," *State Telephone Regulation Report,* Nov. 2, 1999, 7-8). The New York PSC required the merged Bell Atlantic/NYNEX to invest an additional $1 billion over five years in its network (NY Bell Atlantic-NYNEX Order).

In approving the US West/Qwest merger, the Arizona, Minnesota, Montana, Utah, and Wyoming Commissions imposed requirements to accelerate DSL deployment, improve service in rural areas, and increase network investment (Public Service Commission of Utah, In the Matter of the Merger of the Parent Corporations of Qwest Communications Corporation, LCI International Telecom Corp., and US West Communications, Inc., Report and Order, Docket No. 99-049-41, June 9, 2000; Minnesota Public Utilities Commission, In the Matter of the Merger of the Parent Corporations of Qwest Communications Corp et al and U S WEST Communications, Inc., Order Accepting Settlement Agreements and Approving Merger Subject to Conditions, Docket No. P-3009, 3052, 5096, 421, 3017/PA-99-1192, June 28, 2000; Arizona Corporation Commission, In the Matter of the Merger of the Parent Corporations of Qwest Communications Corporation LCI, International Telecom Corp., USLD Communications, Inc., Phoenix Network, Inc. and U S WEST Communications, Inc.. Opinion and Order, T-01051B-99-0497, June 12, 2000; Before the Public Service Commission of Wyoming, In the Matter of the Joint Application of Qest Communications Corporation et al and U S WEST Communications, Inc. et al for Approval of the Merger of Their Parent Corporations, U S WEST, Inc., and Qwest, Inc. to Form Qwest Communications International, Inc. Dockets No. 74142-TA-99-16, 7000-TA-99-503, 74037-TA-99-8, 70034-TA-99-4, 74089-TA-99-9, 74029-TA-99-43, 74337-

TA-99-2, June 9, 2000; "PSC Conditions Approval of Qwest-U S West Merger," *TR Daily,* May 9, 2000.).

The Pennsylvania PUC required Sprint to accelerate DSL deployment as a condition for approval of the spin-off their wireline properties (Joint Application of the United Telephone Company of Pennsylvania d/b/a Sprint, and of Sprint Long Distance, Inc., for all Approvals Required under the Pennsylvania Public Utility Code in Connection with Changes of Control of the United Telephone Company Of Pennsylvania d/b/a Sprint and of Sprint Long Distance, Inc., ("PA Sprint Order"), Docket Nos. 313200F0007 and 311379F0002, March 16, 2006).

Q. What service quality requirements have state Commissions required as conditions for merger approval?

A. Again, the list is exhaustive. I will provide an illustrative sample. In approving the SBC/Ameritech merger, the Illinois Commerce Commission and the Ohio PUC established stiff penalties for failure to meet wholesale and retail service benchmarks (Ohio SBC-Ameritech Order*;* "Ill. Conditionally Okays SBC-Ameritech Merger"). In approving the SBC/Pacific Telesis merger, the California PUC required the merged company to meet or exceed service requirements over five years after the merger (SBC/PT Decision). In the Alltel and Sprint wireline spin-offs, the Kentucky and Pennsylvania Commissions required the companies to maintain service levels (KY Alltel Order*;* PA Sprint Order.)

Q. Please summarize merger conditions related to employment, network investment, or service quality that state Commissions have required when SBC (now called AT&T) purchased other Regional Bell Operating Companies?

A. In each of the prior SBC acquisitions, state Commissions imposed guarantees of employment levels, network investment and broadband deployment, and service quality on the merged entity.

Q. Have these merger conditions had a positive impact on the quality of service provided to customers?

A. Yes. These conditions have provided state Commissions the authority to hold the merged company accountable to employ adequate human and capital resources to ensure consumers receive quality service. Absent specific conditions, the merged entity is free to cut employment, service levels, and capital investment. I have already discussed the AT&T lay-offs and call center closings just six months after that merger closed.

Q. Have the merged SBC entities remained profitable and financially strong entities, despite these merger-related conditions?

A. Absolutely. In 2005, the new AT&T earned $43.9 billion in revenues and $6.2 billion in operating income.

Conclusion

Q. Please summarize your testimony.

A. Joint Applicants have announced significant merger-related job reductions, and have targeted half the "operating expense synergies" (or cost cuts) to be realized through headcount reduction. After the acquisition, BellSouth will be merged into a national company, with the very real possibility that Tennessee jobs will be moved out of state, with negative impact on the quality of service provided to Tennessee consumers.

To protect the public interest in quality, reliable service, the Authority should condition merger approval upon the following conditions. First, the Joint Applicants should commit to maintain the highest standards of service quality. Second, the Joint Applicants should commit to upgrade every central office in the state for DSL capability within two years. Third, the Joint Applicants should be required to maintain employment levels in the state of Tennessee for at least three years after the merger closes at the same level as on the date the merger closes. Fourth, the Joint Applicants shall commit that the merged entity shall not close any technical operations, call centers, or other facilities in the state of Tennessee for three years after the merger closes.

Q. Does this conclude your testimony?

A. Yes, it does.

CWA EXHIBIT 1

Updated as of March 31, 2006

Employee FAQs related to the BellSouth-AT&T merger

Background and Terms of the Merger

Q: Why is AT&T acquiring BellSouth?

A: Communications services are in a state of continuing change. In the past few years, we have seen the value of consolidation as it has provided new opportunities for growth and innovation. The merger of Cingular and AT&T Wireless, for example, has resulted in customer growth, increased investment and innovation of new products and services. We have also seen tremendous progress with the convergence of wireline and wireless technologies. We believe the merger of AT&T and BellSouth will result in further progress and advances in communication services. The combined company's strong financial position means the ability to invest in next-generation products, services and technology. We will be better able to meet customer demands and compete successfully.

This combination is good for shareholders. Our shareholders will receive a 17.9% premium over the closing price on March 3, which is the trading day before the merger agreement was signed. In addition, after the merger closes, we expect our shareholders to benefit from AT&T's higher annual dividend. Based on the exchange ratio, AT&T's annual dividend of $1.33 is the equivalent of $1.76 for each outstanding BellSouth share, representing a 52% increase to BellSouth's current dividend.

It also provides our employees the opportunity to work for the most respected telecommunications company in the U.S and one of the most respected companies in the world. Both companies are known for their customer service and network excellence. And both companies value diversity and inclusion.

Q: What are the terms of the deal?

A: BellSouth shareholders will receive 1.325 shares of AT&T common stock for each BellSouth share that they hold. Based on AT&T's stock price at the close of trading on March 3, 2006, the trading day before the merger agreement was signed, this exchange ratio equals $37.08 per share. The transaction is expected to be tax-free to BellSouth shareholders.

Q: AT&T announced that the net present value of expected synergies is estimated to be approximately $18 billion. Where will the cost savings come from?

A: Almost all of the efficiencies are expected to come from reduced costs over and above expected cost improvements from the ongoing productivity initiatives of BellSouth, AT&T and Cingular.

- The largest savings are expected to come from backbone network operations and IT, as facilities and operations are consolidated, and from increased capital efficiencies.
- Substantial savings will come from eliminating duplicate corporate functions.
- Additional savings will come from overlapping customer sales and service operations.

Q: Why was the acquisition deal announced publicly before it was announced to BellSouth employees? Why weren't we told first?

A: Because BellSouth is a publicly held corporation, we are required to make material information, such as announcements of pending mergers and acquisitions, accessible to the general public at the same time that we inform our employees.

Impact on compensation and benefits

Q: Will the pending merger affect BellSouth's compensation and benefits prior to the closing and how soon after the closing might benefits be changed?

A: The merger agreement does not require BellSouth to terminate or reduce any of its overall benefits and compensation programs. BellSouth's benefits plans and compensation programs in general will remain in effect and will continue to be administered in accordance with their terms until closing (although BellSouth continues to reserve the right to modify these programs in any way and in accordance with the needs of the business). In other words, the current compensation and benefits structures will continue "business as usual" through the closing. After closing, all decisions regarding benefits and compensation will be made by AT&T. However, under the merger agreement, AT&T has agreed that, for a period of time after the merger, BellSouth management employees will have compensation and benefit plans and programs that are no less favorable in the aggregate than they have at BellSouth. This commitment will continue for 12 months from the closing or until Dec. 31, 2007, whichever is later. Eventually, BellSouth employees will migrate to the benefit plans and programs of the AT&T companies.

BellSouth's 2005 bonus payments and CAD increases will proceed as planned, on schedule and unchanged as a result of this agreement. Bonuses will be paid on March 15. Management salary increases will be effective May 1. Bonuses for 2006 will be paid as earned in March 2007.

Q: What will happen to medical premiums for employees after the merger closes?

A: Any decisions regarding medical premiums after closing would be made by AT&T and, for represented employees, would be subject to the collective bargaining process.

Q: Will there be job consolidation after the closing occurs?

A: It is anticipated that the majority of BellSouth positions will be unaffected by the merger. However, headquarters staff, support functions and overlapping operations will be consolidated.

Q: Can any clarification be given around the 10,000 job reduction amongst the three companies that has recently been reported by the media? Are there any indications on how many of the 10,000 will be BellSouth employees?

A: No further information is available at this time.

Q: Will there be a severance package offered to employees who leave the combined company?

A: Employees who leave the combined company under certain circumstances will be provided benefits under a separation plan. The severance plan will be maintained for two years after closing for employees who separate after closing and who separate for reasons other than for cause (as defined under the enhanced separation plan). The general terms of the enhanced separation plan will be (1) a severance pay formula equal to 7% of base pay per year of service (minimum of 50% and maximum of 150%), (2) a pro-rated bonus payment, (3) rule of 65 for retiree medical (and 6 months paid COBRA for others), (4) rule of 65 for telephone concession, and (5) outplacement services.

Q: Do these severance terms apply to craft employees?

A: No, these severance terms and benefits apply to management employees only.

CWA EXHIBIT 2

CWA Exhibit 2

at&t

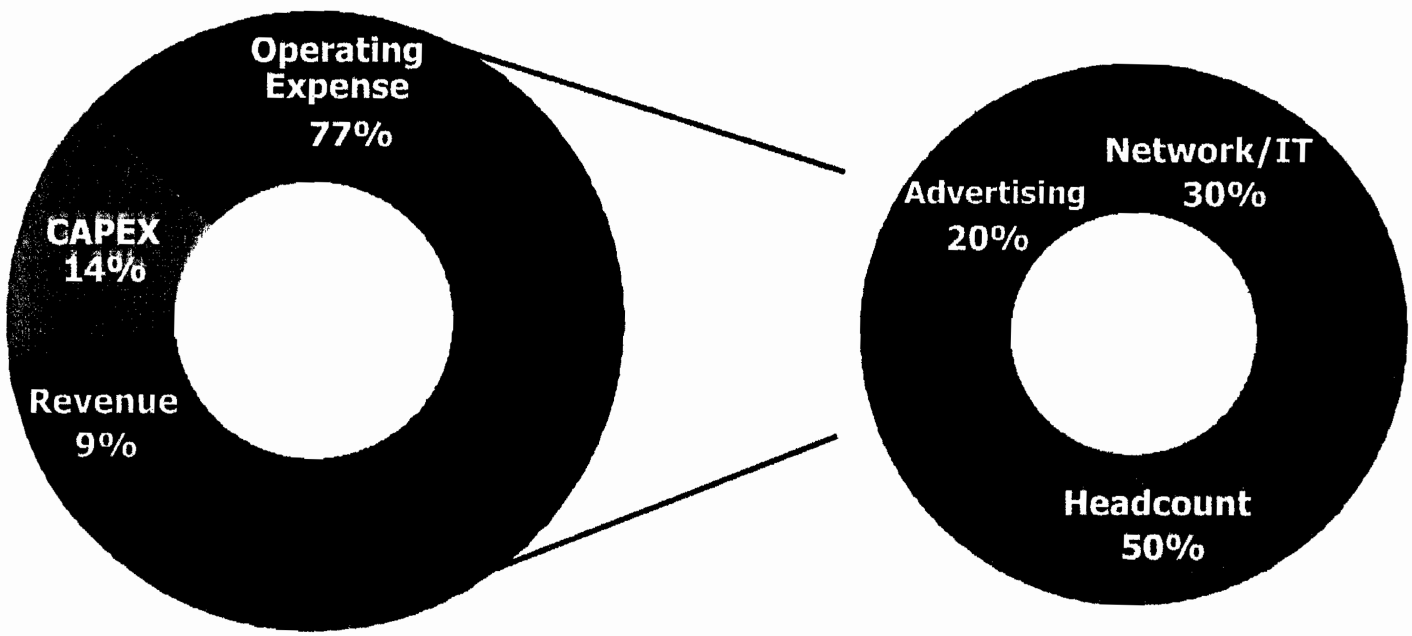
BELLSOUTH®

Substantial Synergy Opportunities, Strengthened Growth Platforms in Wireless, Business and Integrated Services

Breakdown of Expected Synergies

Percentage Breakdown
$18 Billion of Net Synergies

Percentage Breakdown
Operating Expense Synergies



CWA-DR18-000028

CWA EXHIBIT 3

CWA Exhibit 3

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held May 19, 2006

Commissioners Present:

Wendell F. Holland, Chairman
James H. Cawley, Vice Chairman
Bill Shane
Kim Pizzingrilli
Terrance J. Fitzpatrick

In Re: Informal Investigation of AT&T, Inc. Docket I-00060111

ORDER

BY THE COMMISSION:

On October 6, 2005, this Commission approved the merger of AT&T Corporation and SBC Communications, Inc.[1] Thereafter, the combined companies adopted "AT&T" as the name of the merged entity. In the Joint Application, it was represented to this Commission that the merger would create a much stronger job outlook for the combined organization and would have a positive impact on employment in the Commonwealth. Additionally, AT&T expressly further assured this Commission that the merger would not affect AT&T-PA's role as the TRS provider in Pennsylvania, that the merger would not adversely affect the continuity of TRS, and that the new entity would be able to meet its regulatory obligations and commitments as the TRS provider.[2] *See also* Joint Applicants' Statement No. 5.

Six months after the closing of the merger, AT&T announced a reduction-in-force proposal (RIF) comprising a significant RIF in its general workforce in western

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[1] Joint Application of SBC Communications, Inc., and AT&T Corp. at Docket Nos. A-311163, *et al.*, (October 6, 2005).

[2] Joint Application at p. 14.

Pennsylvania and a substantial RIF at its only Pennsylvania-based TRS call center in New Castle. Specifically, in February 2006, AT&T announced that it intended to reduce its workforce in western Pennsylvania by more than 200 employees and to close a call center. AT&T also announced that it planned to eliminate approximately 25% of the positions at the TRS call center. The total RIF would have been a total reduction of over 250 employees statewide.

In light of these concerns[3] over AT&T's planned RIF, this Commission, at the Public Meeting of March 16, 2006, voted to refer this matter to appropriate Commission staff for informal investigation to determine whether the facts warrant further action, particularly as they relate to TRS. We requested staff to review this matter for evaluation as to what further actions and/or remedies, if any, may be appropriate. The intention to investigate, having been adopted at public meeting, was made public and reported in the media.

On March 31, 2006, prior to an order being entered to initiate the investigation, Governor Rendell and AT&T announced in the media that AT&T had committed to forego the RIFs and call center closing and to rely instead on attrition to accomplish AT&T's goals relative to employee count in Pennsylvania.

On May 8, 2006, noting that the reported commitment by AT&T to forego RIFs would do much to temper the urgency of the matter, if in fact the news reports accurately reflected its terms, an order was entered directing the commencement of the investigation. That order noted that in the absence of any formal letter or other filing by AT&T with the Commission confirming the news reports, the Commission was precluded from taking any contrary course.

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[3] A public utility is obligated to provide safe and reliable service. 66 Pa. C.S. § 1501. Moreover, the Commission has the statutory authority to insure that public utilities provide reliable and safe public utility service in Pennsylvania. 66 Pa. C.S. §§ 331 & 1501. Utility RIFs may impact the safe and reliable service to the public required by law.

On May 11, 2006, AT&T filed a Response to Investigation Order in which it confirms that it has reconsidered the proposed RIFs and has rescinded its plans for involuntary work force reductions in western Pennsylvania and at the New Castle TRS call center. AT&T further suggests that continuing the investigation is unnecessary under the circumstances. AT&T specifically requests that the Commission terminate the investigation and consider the matter resolved pursuant to Section 3.113(b)(3) of our regulations, 52 Pa. Code § 3.113(b)(3). In particular, the Response states that:

> Subsequent to [the March 16, 2006] public meeting, AT&T announced on March 31, 2006 that it had reconsidered the proposed employee reductions in force identified in the Chairman's motion and had rescinded plans for involuntary work force reductions at both of these two Pennsylvania locations. Thus, the facts upon which the Commission adopted the investigation order have materially changed. AT&T respectfully submits that continuing this informal investigation is unnecessary under the circumstances. AT&T respectfully requests the Commission to terminate this investigation and consider the matter resolved pursuant to . . . 52 Pa. Code § 3.113(b)(3).

In light of this documented commitment from AT&T to forego the previously announced RIFs in Pennsylvania, we find that there are no outstanding facts or questions that warrant further action, that the matter is resolved, and that the informal investigation should be terminated; **THEREFORE,**

IT IS ORDERED THAT:

1. That the investigation into possible AT&T, Inc. work force reductions in Pennsylvania, as authorized by Order entered at this docket on May 8, 2006, is terminated.

2. That a copy of this Opinion and Order be served upon AT&T, Inc., the Office of Trial Staff, the Office of Consumer Advocate, and the Office of Small Business Advocate.

BY THE COMMISION,

James J. McNulty

(SEAL)

ORDER ADOPTED: May 19, 2006

ORDER ENTERED: May 19, 2006

CWA EXHIBIT 4

Application 96-04-038
D.97-03-067

CWA Exhibit 4

Received: 4/ 9/99 12:05PM; 202434 -> Boucher Law Firm; Page 6
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Exhibit 2
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CPUC Approves Telesis/SBC Merger

The California Public Utilities Commission (CPUC) today approved the proposed merger of Pacific Telesis (Telesis) and SBC Communications (SBC) concluding that it provides economic benefits for ratepayers and the state, and is unlikely to adversely affect competition in California.

Public Utilities Code section 854 requires the Commission to find the merger provides short term and long term benefits, is in the public interest, and will not adversely affect competition. The Commission then must equitably allocate the forecasted economic benefits which fall under its authority between shareholders and ratepayers, with ratepayers receiving at least 50 percent of the benefits.

The Commission finds that the merger will benefit shareholders, the financial condition and management quality of Telesis and Pacific, and consequently the California economy. It will not harm management quality or the quality of service and there is no evidence that utility employees will be treated unfairly or unreasonably due to the merger.

Rates Will Reflect Economic Benefits of the Merger

- Pacific Bell (Pacific) represents 90 percent of Telesis' assets. Pacific is to refund to ratepayers beginning in 1998 $341 million [$248 million in present value terms] over 5 years to reflect the short and long term economic benefits of the merger. The $248 million is half of the estimated $495 million [in present value terms] total economic benefits of the merger.

  The $495 million figure is based on forecasted economic savings from services, such as local and local toll phone service, which are not sufficiently competitive now or in the foreseeable future, drawn out to 5 years. Market forces are expected to produce subsequent additional savings. The Commission decided upon this distribution of the benefits of the merger because telecommunications services are at varying degrees of competitiveness.

  Of the $248 million, $213.5 million will be returned to Pacific's customers through a rate reduction in their monthly bills estimated at $3/customer/year for the next five years, and $34 million will be used to fund the Community Partnership Commitment.

Other conditions of the Commission's approval of the merger are:

- Pacific is to implement the Community Partnership Commitment (CPC).

  The Community Partnership Commitment is an agreement with over 100 community and nonprofit organizations under which Pacific promises to fund, over a 10-year period, $50 million in consumer education efforts and an additional $32 million for other activities to ensure service to underserved California communities.

  Pacific is to allow other community-based organizations that did not sign the CPC to apply for funding from the CPC. Any money remaining in the fund at the end of seven years is to be distributed to entities or funds that promote the Commission's goals of universal service for underserved communities.

- Notwithstanding the merger, Pacific must show two month's compliance with standards set forth in General Order 133B for business office answering times and trouble report answering times for all

EXHIBIT

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General Order 133B for business office answering times and trouble report answering times for all customer groups, or face penalties. GO 133B requires Pacific representatives to answer 80% of calls within 20 seconds. Pacific is to show via existing annual reporting requirements to the CPUC that it maintains or improves its service quality over the five years following the merger.

- An audit of the separation transaction must show that it is in compliance with Commission requirements for the merger.
- The merger is to be initiated within the next 60 days or SBC and Telesis lose Commission approval to merge.
- If SBC proposes to acquire another local phone company within five years after the merger, it must notify the CPUC first and explain how that will affect the CPUC analysis and conditions imposed for this merger with Telesis.

Prior to its approval of the merger today, the Commission held seven public participation hearings in Eureka, Fresno, Pasadena, Riverside, Sacramento, San Diego and San Francisco seeking public comment on the proposed merger, obtained the required Advisory Opinion from the State Attorney General that the merger will not adversely affect competition, and held 23 days of evidentiary hearing.

The Merged Company

The merger is intended to improve the competitiveness of both companies, and the financial condition of Telesis and Pacific and consequently, their customers. It will create the second largest local phone service provider in the country (following the recent approval of the NYNEX/Bell Atlantic merger) and the sixth largest telecommunications firm in the world.

Telesis will become a wholly-owned subsidiary of SBC.

Pacific continues to be a subsidiary of Telesis. Sixty-six percent of the merged company will be owned by SBC's current shareholders, and 34 percent by Telesis' current shareholders. There is no anticipated transfer of property or purchase of assets. The combined assets of the companies would be $22 billion.

Pacific serves 75 percent of California residential phone customers. SBC owns local phone companies in Texas, Missouri, Oklahoma, Kansas and Arkansas, offers wireless services under the Cellular One brand name in 27 markets other than California including Chicago, Boston, Baltimore and Washington, D.C. and has cable TV operations in Virginia and Maryland, and shares of telecommunications businesses in Mexico, Chile, South Korea, Australia, France, South Africa and Israel.

Benefits for California

SBC has made a written promise to Telesis to establish four new operating headquarters - for the long distance company, the international services company, an Internet company, and an integrated administrative and support services company - in California, and create at least 1,000 new jobs in California at Telesis companies. Pacific's headquarters will remain in California.

Both SBC and Telesis have committed to maintain and improve the quality of service to California customers, expand service to ethnic markets, continue workforce diversity and invest in Pacific's infrastructure.

With the CPUC approval today, the companies have obtained all required government approvals. The Department of Justice concluded in November 1996 that the merger would not violate federal antitrust law, and the Federal Communications Commission approved the merger in January 1997.

COMMUNICATIONS DAILY

THURSDAY, SEPTEMBER 3, 1998

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SBC Commitments Accepted

CONN. REGULATORS UNANIMOUSLY APPROVE $4.4-BILLION SBC-SNET MERGER

Conn. Dept. of Public Utility Control (DPUC) unanimously approved $4.4-billion merger of Southern New England Telephone (SNET) and SBC Communications Wed. but required companies to file regular financial reports and increase retirement benefits. DPUC rejected bid by Conn. Attorney Gen. Richard Blumenthal to link merger approval with lower rates (CD June 1 p3). He said he was "disappointed" by what he termed "short-sighted, ill-advised" decision that leaves consumers "clearly shortchanged." FCC is last major regulatory hurdle for merger.

DPUC said it "accepts the commitments made by SBC on the record of this proceeding," including pledges to: Honor collective bargaining agreements between SNET and employees; adjust SNET retirement plans to include any better benefit entitlements enjoyed by SBC retirees; get prior DPUC approval before divesting or selling SNET pension funds; file annual network technology development plan; keep SNET hq in Conn.; maintain or raise level of full-time employment; maintain corporate funding for community-enriching projects.

Regulators told SBC it must maintain levels of capital investment, staffing, marketing. As part of approval, DPUC required SBC to produce: Annual reports on SNET earnings remitted to SBC; quarterly reports on SNET short-term borrowing or loans with SBC; annual reports on technology deployment for next 3 years, with explanations for investments; annual list of new regulated products in SBC region that by Conn. definition are noncompetitive.

DPUC kept requirement that SBC continue SNET's cable operations for 2 years, but added potential out clause: Bell company can petition commission to modify its franchise requirements after conducting study of SNET's Personal Vision (PV) operations. Agency said SBC had expressed concern that PV might not be viable financially and refused to make specific commitments until it has evaluated PV's market opportunity and infrastructure. SBC must report findings and request changes in franchise by April 2. PV, which is franchised to offer cable TV service in entire state, has 18,600 subscribers spread over several areas.

Blumenthal criticized cable decision, saying requirement to maintain service was "critical to promote a competitive atmosphere" in state's cable business. "This decision could spell the end for all hope of cable competition in Connecticut — and lead to even higher rates for cable customers," he said. "The DPUC is apparently more concerned with this Texas company than it is with Connecticut consumers."

DPUC said SBC won't have to make any rate cuts as condition of state merger approval and any rate changes required because of merger should be determined separately. "Neither the law nor the evidence point to [addressing] rate considerations in this decision," agency said.

In joint statement following vote, SBC and SNET praised DPUC for "recognizing the dynamic changes occurring in the telecommunications industry" and for taking "a balanced, reasoned approach throughout this process." Companies said order protects SNET employees while "allowing us the flexibility we need to manage the new company as efficiently and effectively as possible in today's highly competitive environment."

Blumenthal said DPUC decision means Conn. is "only state" where phone customers won't share cost savings in SBC merger. When SBC bought Pacific Telesis, Cal. PUC required companies to reduce rates to reflect merger benefits. Expert testimony at DPUC hearings had recommended rate cuts, citing $1 billion SBC and SNET will save by merging. Savings translated to $110 million annual rate reduction, or $4 per month for basic rate customers, Blumenthal said. "These savings were unrefuted," he said. However, DPUC said it found no economic basis for ordering such reductions, even after companies testified that merger would result in savings. DPUC called Blumenthal concerns "premature."

In May, Blumenthal had argued that companies failed to provide adequate information that would allow regulators to consider potential cost savings from merger. "Until and unless they are willing to provide this information, this merger should not be allowed to proceed," he said then.

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FRIDAY, APRIL 9, 1999 VOL. 19, NO. 68

Conditions Included

SBC-AMERITECH MERGER APPROVED BY OHIO REGULATORS

Ohio PUC (PUCO) voted 4-1 Thurs. to grant conditional approval for proposed merger of SBC Communications and Ameritech. PUC adopted conditions in stipulated settlement negotiated between companies and 6 major intervenors in late Feb. Action came as House Telecom Subcommittee Chmn. Tauzin (R-La.) said he didn't think FCC had authority to impose conditions on merger (see related story, this issue).

Companies now have 2 of 4 regulatory approvals required for merger completion — Ohio and Justice Dept. Remaining hurdles are FCC and Ill. Commerce Commission, both of which are looking at conditional merger approvals. Ill. agency is considering set of merger conditions proposed by 2 hearing examiners. Of other 3 Ameritech states, Wis. and Mich. have state laws denying them jurisdiction over merger, and regulators there won't take action. Ind. regulators have no direct jurisdiction either, because deal is at holding company level, but plan to file opinion soon with FCC. No states in SBC territory need to act.

In its order, PUCO said that if conditions are overturned on appeal, its merger approval is void. If conditions are overturned after merger closes, it said it reserves legal right to "obtain the value of the stipulations from the companies in some other manner."

Dissenting PUCO Comr. Judith Jones said she voted against merger because competitive performance, service quality and capital investment conditions offer inadequate benefits to customers and competition. She also called "illogical" merger's underlying premise that 2 giant companies must combine to be effective national and global competitor. "Too often, the terms of the stipulation merely indicate maintenance of the existing situation and do nothing" to encourage competition, Jones said in strongly worded 16-page dissent. She also complained investment commitments "will not even maintain the status quo." She opposed requirement that Ameritech enter 4 of Ohio's most desirable markets outside Ameritech territory, saying Ameritech-SBC should be required to enter local markets "where it is extremely unlikely" competition will emerge.

Among PUCO's major merger conditions: (1) Companies must improve cooperation with CLECs. They have until April 1, 2000, to achieve 79 of 105 specific performance benchmarks for operation support systems (OSS) and other facilities used by competitors, and to submit binding schedule for meeting rest. Failure would subject companies to potential $20 million in penalties. Companies also must complete integration of SBC and Ameritech OSS within 6 months after merger closes and make available to CLECs in Ohio any interconnection, colocation, resale or network element rates or concessions they obtain from other incumbent telcos when entering new local markets.

(2) Companies must promote residential competition. They must offer CLECs temporary "promotional" rates on residential loops and services for residential resale. They must offer 32% wholesale discount on residential services and $5.34 monthly rate on residential loops. Companies for 3 years after merger also must offer cageless colocation at reduced charges to CLECs intending to provide residential service. At least 20% of capacity at discounted colocated CLEC installation must be reserved for residential service. If SBC-Ameritech have not permanently lost 200,000 residential lines to competitors within 4 years, they must give $15 million in credits to customers and deposit $5 million into 2 special funds created by stipulation.

(3) Companies must meet specific annual service quality benchmarks in 7 major performance areas for 3 years after merger. If companies fail to meet targets, they are liable for steadily escalating penalties. Total service quality performance failure during 3-year period would mean $50 million in penalties, 66% of which would be credited directly to customers. (4) Companies must compete in Ohio local exchange markets outside Ameritech territory, subject to certification, right-of-way and other regulations imposed on CLECs. They must enter local markets in Cincinnati, Hudson, Delaware and Lebanon areas. (5) Companies must create 2 special funds with initial donation of $2.5 million into each. First fund would be for telecom consumer education programs, 2nd for bringing advanced telecom technology access to rural and low-income populations.

In other significant conditions, companies must maintain current Ohio employment levels for 2 years, maintain Ohio hq for 5 years, invest $1.3 billion in local exchange facilities over 5 years, donate minimum $2 million annually to Ohio charities, cannot file for increase in capped residential basic exchange rate before Jan. 2002, permanently refrain from fraudulent or deceptive marketing practices.

"We believe that the merger, under the terms of the stipulation, will promote the public convenience and result in the provision of adequate service at reasonable rates," PUCO wrote in order. But agency warned it will be monitoring companies' compliance with conditions and will act promptly if they renege on any.

SBC and Ameritech hailed decision as "major milestone" in advancing merger. They said PUCO, after considering every objection raised by competitors, issued order that puts companies "another step closer to meeting the 21st century telecommunications needs of consumers in Ohio and around the country."

AT&T said it was "very disappointed" by PUCO merger approval and said it hopes agency "will reconsider this ill-advised decision during the rehearing process." AT&T official said Comr. Jones' lengthy dissent is likely to be cited in company's request for reconsideration. AT&T has until May 6 to seek rehearing. Ohioans for Phone Policy Reform, consumer/industry group supported by AT&T and other Ameritech competitors, condemned PUCO decision. Group said it will mean "higher prices and worse service" for Ohio ratepayers.

State Telephone Regulation Report

Vol. 17, No. 20 October 1, 1999

Ill. Conditionally Okays SBC-Ameritech Merger; 3 Foes Say They Will Appeal

The Illinois Commerce Commission (ICC) last week voted 3-2 to approve the $79 billion SBC-Ameritech merger — with 25 conditions. But at least three merger foes are planning legal challenges to the decision.

The ICC majority — Chairman Richard Mathias and Commissioners Richard Kolhauser and Edward Hurley — made no radical departures from tentative conclusions disclosed in recent weeks on requirements for merger savings rebates, obligations to competitors and communities, service quality, performance parity measurements, or the companies' liability for penalties up to $120 million annually.

Commissioners Ruth Kretschmer and Terry Harvill dissented, saying the evidence in the record fell far short of supporting the majority's conclusion that this merger would not harm competition. They said that without the merger SBC would have entered Illinois as a large and aggressive local competitor instead of becoming entrenched as an Illinois incumbent. Kretschmer also assailed what she called the ICC's "convoluted, confused, and complex" deliberation process.

State Telephone Regulation Report

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Merger Okay to be Appealed

(Continued from page 1)

Kretschmer said the evidence showed "overwhelmingly" that the merger would have adverse effects on competition, and cited an ICC staff report that concluded "no conditions exist that would be able to mitigate the harms that the merger will have on competition."

Harvill said SBC's entry as a local competitor would have done far more to force open Illinois' local exchange markets than any orders from the ICC. He also said he was "skeptical — given SBC's reputation as a ruthlessly aggressive and litigious company — that we can rely on its assurances."

ICC Chairman Mathias said the merger approval terms would "significantly enhance the competitive nature of the Illinois telecommunications marketplace and be of true economic benefit to Illinois consumers." He said he was disappointed in not being able to persuade other commissioners to go along with basing merger savings rebates on estimated savings, but said "the real savings to the public will flow from increased local competition."

But Mathias also said the cumbersome 16-month merger review process "exposes the need to revise the obsolete processes which this Commission is required to follow that unduly prolong proceedings, hinder meaningful discussions" and require unnecessary adjudication.

SBC and Ameritech praised the 275-page ICC decision, saying it "paves the way for consumers to benefit from increased competition, improved service, high-speed Internet access, and other new products."

SBC General Counsel James Ellis said the decision was a victory for Illinois consumers: "Once we complete the merger and begin delivering the benefits to our customers, there will be no doubt that today's decision by the ICC was the right one for Illinois." Ameritech Illinois President Douglas Whitley also was pleased by the ICC decision, but was critical of the time the ICC took to decide: "Clearly, 16 months is far too long to reach a decision in today's changing global telecommunications marketplace."

At least three merger opponents — Illinois Attorney General Jim Ryan, Cook County State's Attorney Richard Devine, and the Illinois Citizens Utility Board (CUB) — said they would ask the ICC to reconsider its decision because it was contrary to consumers' best interests. If that is unsuccessful, they said they may file an appeal in state courts.

Ryan and Devine said the ICC acted wrongly by refusing to base merger rebates on savings estimates and by dismissing studies that projected merger savings of up to $472 million annually. "What might be a winning deal for these corporate giants is, in this case, a loser for Illinois consumers," Ryan said. CUB Executive Director Martin Cohen said the conditions approved by the ICC "are not sufficient to protect consumers from the many risks the deal poses." The

CUB predicted customers in Illinois would face higher phone rates as the companies sought to pay for their forays into other cities nationwide.

The opponents have until Oct. 29 to petition for a rehearing and the ICC will have another 20 weekdays to decide whether to grant the petitions. If the ICC decides to rehear the case, it will have five months to decide on reaffirming or changing the order.

But Ameritech Illinois' Whitley said those challenges would have negligible impact on the deal: "The merger will move forward. We won't wait because of speculation over what some judge might do in the future."

Other parties unhappy with the ICC order must decide whether to pursue Illinois rehearings or concentrate their efforts on the FCC, which is the final regulatory hurdle the companies must clear before they can close their merger. The FCC is considering a set of proposed merger conditions for advancing competition, backed by up to $2 billion in penalties, and is expected to decide soon.

Competitor-supported Illinois Partnership for Fair Telecom Policy warned the ICC to make sure the companies kept their promises after they merged. Gary Mack, the group's executive director, said, "The ICC's conditions for approval may not be sufficient to yield competition. And Ameritech and SBC are notorious for not keeping promises made to regulators." He said significant loss of local market share would be the only convincing demonstration that the companies were sincere in their efforts to allow competition.

AT&T said it was "disappointed" by an ICC decision that omitted many conditions sought by competitors. AT&T Vice President Ray O'Connell said the decision "locks Illinois consumers into a larger and stronger SBC/Ameritech monopoly for the foreseeable future." AT&T said strict enforcement of merger conditions might help promote local competition in Illinois, but warned that "SBC-Ameritech are more inclined to pay fines or litigate rather than meet regulatory requirements."

In other states, the merger received conditional approval from Ohio this spring. Indiana regulators' attempt to assert merger jurisdiction was turned back by the state courts. Michigan and Wisconsin lacked jurisdiction. Nevada is the only SBC state to successfully assert jurisdiction over the deal, with Nevada regulators giving their conditional approval early in September.

Major conditions imposed by the ICC majority include: (1) A 50% rebate of actual merger savings, net of merger costs, for three years. Rebates would be split evenly between CLECs and long distance users through lower interconnection and access charges. This was a change from the tentative conclusion calling for a 100% savings rebate. Only operational merger costs, not legal or investment banker fees, could be netted against gross savings. The companies must report their net savings, calculated in accordance with the FCC's Uniform System of Accounts, when they make their annual price cap adjustment filings.

(2) An 18-month schedule, starting at merger closing, for making operation support systems (OSS) fully adequate to serve Illinois CLECs' needs, with a six-month collaborative process to establish what needs to be done, followed by a 12-month schedule to implement the changes and conduct 3rd party testing to verify OSS adequacy.

(3) A requirement that the companies implement 122 specific measurements of parity between services to CLECs and services to their own operations. Measurements must be implemented within 300 days of the merger's closing, with a $30 million fine for failing to meet the 300-day deadline and up to $90 million annually in penalties for five years for performance parity failures. Performance monitoring reports would be filed quarterly.

(4) A requirement that the companies offer Illinois CLECs any interconnection terms they voluntarily agree to as an incumbent in other states, with rates adopted by the other state to serve as interim prices pending development of Illinois-specific rates. They also must offer to Illinois CLECs any interconnection terms SBC-Ameritech obtains as a CLEC in any state, without regard to whether Illinois CLECs are similarly situated. The only exception would be for terms infeasible or illegal in Illinois, with the burden of proving any exceptions laid on SBC-Ameritech. SBC-Ameritech would have to notify Illinois CLECs of terms imposed on them as incumbents by other states and be ready to open Illinois negotiations on such terms upon CLEC request.

(continued on page 5)

Ill. Places Conditions on Merger

(Continued from page 3)

(5) A mandate that the companies implement interim shared transport for CLECs within 30 days and fully unbundle shared transport within one year of the closing. (6) A directive that the companies meet "current" ICC standard for fixing out-of-service problems within 24 hours or face $15 million in penalties during the first six months after their merger and $30 million annually over the next five years. ICC standards now require fixing 95% of service outages within 24 hours.

(7) Completion, within five years, of all unfinished projects in Ameritech's $3 billion 1995 network infrastructure upgrading commitment made as part of its price cap regulation agreement, plus any other infrastructure projects the ICC adds in its upcoming price cap renewal proceeding, up to another $3 billion worth.

(8) A ban on making any operational changes in 911 network systems without prior ICC approval. Changes the ICC authorizes must be implemented in a fashion transparent to 911 subscribers. (9) Deployment of residential digital subscriber line (DSL) services in all DSL-capable central office once the companies begin offering residential DSL anywhere in Illinois.

Other conditions would require the merged companies to maintain regional employment at current levels; retain "historic" levels of support for Illinois schools, community groups and charities; keep Ameritech headquarters in Illinois; keep Ameritech's brand identity; use SBC's TRI research unit to benefit disabled Illinois customers; revise their cost-allocation manuals and their cost studies within six months to reflect postmerger conditions, and spend $7.5 million over the next three years on a consumer education fund, community technology fund, and community computer centers.

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051

DOCKET NO. 98-02-20 **JOINT APPLICATION OF SBC COMMUNICATIONS INC. AND SOUTHERN NEW ENGLAND TELECOMMUNICATIONS CORPORATION FOR A CHANGE OF CONTROL**

September 2, 1998

By the following Commissioners:

Jack R. Goldberg
John W. Betkoski, III
Glenn Arthur

DECISION

dollar basis to reduce rates) as well as expenses. Moreover, the Applicants argue that no public utility commission in any state has ever used projected revenue increases to reduce rates in a change of control proceeding. In addition, the Applicants note that the Department has never set rates in any Telco rate of return proceeding based on cost savings or revenue projections over a 10-year period. Rather, the Department has used an historic test year and adjusted forward to a future rate year, which was generally one year out. Any adjustments to the test year were based on known and certain changes. According to the Applicants, there is nothing known and certain in the telecommunications industry over a 10-year period that an agency can rely on to set rates. The Applicants maintain that OCC and AG proposals ignore the reality of the competitive telecommunications environment. The Applicants conclude that the law, the Telco's Plan, and the evidence presented in this case do not support the Department's conditioning its approval of the Merger on rate reductions.

Finally, in support of its position against a rate reduction, the Applicants assert that the Telco's local residential exchange rates are currently on average below cost and any further reduction will deter facilities-based competition, which is contrary to Public Act 94-83, An Act Implementing the Recommendations of the Telecommunications Task Force, and the Telcom Act. The Applicants contend that any further reduction to local residential rates would eviscerate any incentive CLECs have to deploy their own facilities to serve residential customers. Applicants' Brief, pp. 25-42.

7. Applicants' Commitments

The Applicants have made certain commitments to support the proposed Merger.[7] Application, pp. 30-34; Applicants' Brief, p. 42. During the June 29, 1998 hearing, Commissioner Goldberg requested additional commitments to address certain concerns in the areas of employment, community involvement, technology and competitive/OSS support. Tr. 6/29/98, pp. 1657-1668. The Applicants have responded to that request. The Applicants state that SBC's ability to make these commitments is based upon the premise that no other conditions will be imposed that would have the effect of reducing the resources necessary for SBC and SNET to meet the commitments. Accordingly, SBC commits to the following:

1. Five years from the date of closing of the Merger, there will be at least 1,400 more SNET or SNET affiliate full-time regular permanent employees in Connecticut than were on the SNET payroll as of the date the Merger was announced.

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[7] The Applicants' commit to maintain SNET's operating headquarters in Connecticut; continue to operate under the SNET name in Connecticut; maintain or increase SNET's historic levels of charitable contributions and community activities throughout Connecticut; establish in Connecticut a regional headquarters from which the combined companies' cellular operations in Connecticut, Massachusetts, Rhode Island and upstate New York would be managed; continue to support economic development and education in Connecticut consistent with SNET's established commitments in these areas; maintain the level of regular, full-time bargaining unit SNET employees at the same level as it was at the time of the merger agreement for at least two years after closing; and to maintain overall compensation and benefits for SNET employees for at least two years after closing. Additionally, SBC reaffirms its commitment to SNET's goal of providing an advanced telecommunications network offering high quality services, significant employment opportunities and retaining SNET's position as a prominent corporate citizen contributing to the residents and overall economy of Connecticut. Applicants' Brief, p. 42.

CERTIFICATE OF SERVICE

I hereby certify that on June 2, 2006, I have served a copy of Communications Workers of America, AFL-CIO's Direct Testimony of Witness Debbie Goldman upon the following parties by depositing a copy in the United States Mail, first-class postage prepaid.

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