

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

MEMORANDUM

To: Chairman Melvin Malone
Director Lynn Greer
Director Sara Kyle

From: Chris Klein, Chief *CK*
Aster Rutibabalira, Economist *AR*
Economic Analysis Division

Edward Phillips, Counsel *EP*
Legal Division

Date: October 11, 1999

Re: Joint petition for approval of a merger of Qwest Communications International Inc.
and U S WEST, Inc

Docket No. **99-00704** *

Recommendation: Approve the petition.

Qwest Communications International Inc. ("Qwest") and U S WEST, Inc. (U S WEST") (together, the "Petitioners") request Authority approval for the merger of Qwest with U S WEST. Qwest, a publicly held Delaware corporation with headquarters in Denver, Colorado, is a facilities-based multimedia communications services provider. U S WEST, a publicly held Delaware corporation with headquarters in Denver, Colorado, provides integrated communications services through wholly-owned subsidiaries. Subsidiaries of both Petitioners are authorized to provide telecommunications services in Tennessee.¹

T.C.A. § 65-4-112 states that the Authority must approve any lease, merger, or consolidation of property, rights or franchises among public utilities. Under T.C.A. § 65-4-101, any entity that owns, operates or controls telecommunications equipment that is affected by and dedicated to the public use through certification by this Authority or its predecessor is a public utility. Because the proposed merger involves two entities considered public utilities under T.C.A. § 65-4-101, Authority approval of the merger is required.

¹ The subsidiaries of Qwest Inc. with Tennessee certificates are Qwest Communications Corporation (Docket No. 95-03130), LCI International Telecom Corp. (d/b/a Qwest Communications Services, Docket Nos. 95-0328 & 96-00783), USLD Communications, Inc. (Docket No. 95-02825) and Phoenix Network, Inc. (Docket No. 95-03296). The subsidiaries of U S WEST, Inc. with Tennessee certificates are U S WEST Interprise America, Inc. (Docket No. 97-01383) and U S WEST Long Distance, Inc. (Docket No. 96-01536).

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According to the petition, on July 18, 1999, Qwest and U S WEST executed an Agreement and Plan of Merger, pursuant to which U S WEST will be merged into Qwest, with Qwest continuing as the surviving corporation. Following the merger, the subsidiaries of Qwest and U S WEST that hold operating certificates will survive as subsidiaries of the post-merger Qwest Inc. Their respective customers will continue to be served and billed under existing tariffs and operating authorities. No changes in the names of the certificated subsidiaries, no transfers of certificates, and no assignments of assets are contemplated at this juncture. The petition also states that the merger will cause no adverse impact upon the continuity and quality of service provided to Qwest's and U S WEST's Tennessee customers. Further, the combined resources of the merger will improve and enhance services for both existing and new consumers of the operating subsidiaries. Based on the Petitioners' representations, the proposed merger appears to be proper for the purposes of T.C.A. § 65-4-112.

c: David Waddell
Richard Collier
Eddie Roberson
Joe Werner