

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6296

Joint Petition of Qwest Communications)
Corporation, LCI International Telecom Corp.,)
USLD Communications, Inc., Phoenix Network,)
Inc., US West Long Distance, Inc., and US West)
Interprise America, Inc. for Approval of a)
Transfer of Control)

Order entered: 12/1/99

I. INTRODUCTION

This case involves a petition filed on September 20, 1999, by Qwest Communications Corporation ("QCC"), LCI International Telecom Corp. ("LCI"), USLD Communications, Inc. ("USLD"), and Phoenix Network, Inc. ("Phoenix"), on behalf of their ultimate parent corporation Qwest Communications International, Inc. ("Qwest"); and US West Long Distance, Inc. ("USWLD"), US West Interprise America, Inc. ("USWIA"), on behalf of their parent corporation US West, Inc. ("US West")(jointly "Petitioners"), seeking Vermont Public Service Board ("Board") approval, under 30 V.S.A. § 107, of a transfer of control of US West's and US West's respective Vermont operating companies to Qwest. The request is made pursuant to the execution on July 18, 1999, of an Agreement and Plan of Merger ("Merger Agreement") by US West and Qwest, pursuant to which Qwest will acquire control of US West and its Vermont operating companies. As a result of the transaction, US West will become a wholly-owned subsidiary of Qwest.

On September 20, 1999, the Vermont Department of Public Service ("Department") submitted a letter to the Board indicating that the Department had no objection to the transfer of control of US West to Qwest. The Department noted that the transaction did not appear to affect the services received by customers of US West's or Qwest's respective Vermont operating subsidiaries or cause inconvenience or confusion to the customers of these subsidiaries, in that the rates and management structure of the certified subsidiaries do not appear to be affected by the transaction. Further, the Department also had no objection to the issuance of an order without hearing or further investigation, as provided under 30 V.S.A. § 107.

II. FINDINGS OF FACT

Based upon the petition and accompanying documents, the Board makes the following findings of fact.

1. Qwest is a Delaware corporation headquartered at 555 Seventeenth Street, Denver, Colorado 80202. Qwest's operating subsidiaries in Vermont are: QCC, (CPG No. 311), LCI (CPG No. 105), USLD (CPG No. 122), and Phoenix (CPG No. 120). Petition at 2.

2. US West is a Delaware corporation with headquarters at 1999 California Street, Denver, Colorado 80202. US West's operating subsidiaries authorized to provide interexchange services in Vermont include: USWIA (Docket No. 5992), and USWLD (CPG No. 312). Petition at 3-4.

3. Qwest and US West have determined that they will realize significant economic and marketing efficiencies by establishing US West as a wholly-owned subsidiary of Qwest. Accordingly, Qwest and US West entered into a Merger Agreement, on July 18, 1999, whereby Qwest intends to acquire control of US West. The Merger Agreement provides for Qwest to acquire US West and exchange shares of Qwest stock for all of the outstanding shares of US West in accordance with the formula outlined in the Merger Agreement. Petition at 5.

4. Following completion of the transaction, US West will become a wholly-owned subsidiary of Qwest. US West's Vermont subsidiaries will continue to operate in all respects as they currently operate, pursuant to present operating authority and tariff rate structure, and will continue to provide service to current customers in Vermont as indirect subsidiaries of Qwest. Accordingly, neither the name of, nor the terms and conditions of service offered by US West's Vermont operating companies, will be affected by the transaction. The proposed transaction simply changed the ultimate corporate parent of US West and its Vermont subsidiaries. As such, the transaction should not cause inconvenience or confusion to US West's customers and in fact should be virtually transparent to such customers in terms of the services that they receive. Accordingly, the transaction should not inconvenience customers within the State of Vermont. Petition at 7-8.

5. Qwest's acquisition of US West will allow it to pursue its marketing and business plans more effectively, in that the networks, services and employees of US West and Qwest are complementary, not overlapping. Petition at 10-11.

7. Completion of the proposed transaction will serve the public interest in that it will promote competition among long distance carriers by providing Qwest with the opportunity to strengthen its competitive position and to pursue its marketing and business plans more effectively. Petition at 10-11.

III. CONCLUSIONS OF LAW AND DISCUSSION

The proposed transaction requires Board approval under 30 V.S.A. § 107, which applies to a direct or indirect acquisition of a controlling interest in a Vermont utility.¹ Section 107 requires a finding that the transfer of control will promote the public good. This standard is met in this case. The proposed transaction will promote the public good, because US West and its Vermont operating companies will have access to a larger pool of managerial, technical and financial resources due to the relatively larger resources of its new owner, Qwest. In the competitive arena of telecommunications, the overall effect of this merger may promote more customer choice in terms of services, with stronger competitors in the Vermont telecommunications market. It should also be noted that the transfer of control will not result in any rate increase to existing customers of US West.

For all of the above reasons, the proposed transfer of control of US West to Qwest, through the mechanisms outlined in the Merger Agreement, should be approved.

1. Approval under 30 V.S.A. §§ 231 and 311 is not required because the current holder of the Certificate of Public Good, US West through its Vermont operating companies, will continue to be the entity providing telecommunications service in Vermont.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

- 1. The acquisition of control of US West, Inc. by Qwest Communications International, Inc., is approved.
- 2. Petitioners shall notify the Board, within one week, upon completion of the transfer of control.

DATED at Montpelier, Vermont, this 1st day of December, 1999.

s/Michael H. Dworkin)	PUBLIC SERVICE BOARD OF VERMONT
)		
s/Suzanne D. Rude)	
)		
s/David C. Coen)	

OFFICE OF THE CLERK

Filed: December 1, 1999

Attest: s/Susan M. Hudson

Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board of any technical errors, in order that any necessary corrections may be made.

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.

