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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

G. Nanette Thompson, Chair  
Bernie Smith  
Patricia M. DeMarco  
Will Abbott  
James S. Strandberg

In the Matter of the Application of QWEST  
COMMUNICATIONS INTERNATIONAL, INC., )  
for Authority to Acquire a Controlling Interest in )  
US WEST LONG DISTANCE, INC. )

U-99-111  
ORDER NO. 1

ORDER APPROVING APPLICATION  
AND REQUIRING FILING

BY THE COMMISSION:

Background

On September 20, 1999, QWEST COMMUNICATIONS INTERNATIONAL INC. (Qwest), filed an application to acquire a controlling interest in US WEST LONG DISTANCE, INC. (USWLD).<sup>1</sup> USWLD is holder of Certificate of Public Convenience and Necessity (Certificate) No. 528 authorizing it to furnish telecommunications (intrastate interexchange) public utility service within Alaska.

The filing was noticed to the public on October 27, 1999, with a closing date of November 26, 1999, for submission of comments in favor of, or in opposition to, the application. The Commission has received no responses to the noticing of the application.

The Commission Staff (Staff) reviewed the filings in this proceeding and, on January 6, 2000, submitted its analysis and recommendation (Report). Staff's

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<sup>1</sup>Qwest supplemented its application on January 5, 2000.

1 Report sets out in detail the history of the proceeding, the public noticing of the  
2 application, and Staff's findings and recommendations regarding disposition of the  
3 application. A copy of Staff's Report is attached to this Order as an Appendix.

4  
5 Discussion

6 Based on its review of the record in this proceeding, the Commission  
7 finds that Qwest is fit, willing and able to provide intrastate interexchange  
8 telecommunication services in Alaska currently provided by USWLD, and that the  
9 proposed merger is affirmatively consistent with the public interest. The Commission  
10 will approve the merger effective the date that the transaction is consummated  
11 provided that the Commission is notified of that event. Once the transaction is  
12 consummated, Qwest should file an adoption notice of USWLD's tariff in accordance  
13 with 3 AAC 48.400. The Commission will waive the requirement of 3 AAC 48.410 that  
14 Qwest file a tariff in its own name within ninety days of filing an adoption notice.

15 ORDER

16 THE COMMISSION FURTHER ORDERS:

17 1. The application filed by Qwest Communications International, Inc.,  
18 to acquire a controlling interest in US West Long Distance, Inc., holder of Certificate of  
19 Public Convenience and Necessity No. 528, is approved effective the date that the  
20 transaction is consummated.

21 2. Within thirty days after the transaction is consummated, Qwest  
22 Communications International, Inc., shall file with the Commission written notification  
23 of the closing date.

24 3. Within thirty days after the transaction is consummated, Qwest  
25 Communications International, Inc., shall file with the Commission's notice adopting  
26 the tariff of US West Long Distance, Inc., as required by 3 AAC 48.400.

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4. The requirements of 3 AAC 48.410 are waived.

DATED AND EFFECTIVE at Anchorage, Alaska, this 21<sup>st</sup> day of January, 2000.

BY DIRECTION OF THE COMMISSION  
(Commissioners G. Nanette Thompson, Chair,  
and Bernie Smith, not participating.)

( S E A L )

STATE OF ALASKA  
**The Regulatory Commission of Alaska**  
1016 West Sixth Avenue, Suite 400  
Anchorage, Alaska 99501

**M E M O R A N D U M**

TO: Commissioners:  
G. Nanette Thompson, Chair  
Bernie Smith  
Patricia M. DeMarco  
Will Abbott  
James S. Strandberg

DATE: January 6, 2000

FROM: Paul Morrison, Chief Utility Engineering

Subject: U-99-111, In the Matter of the Application of QWEST COMMUNICATIONS INTERNATIONAL INC. for Authority to Acquire a Controlling Interest in US WEST LONG DISTANCE, INC. -- Staff Recommendation.

**Statement of Case**

Before the Commission is an application by Qwest Communications International, Inc. (Qwest). to acquire a controlling interest in US West Long Distance, Inc. (USWLD)

**Recommendation**

The Commission Staff (Staff) recommends that:

- 1) The Commission find that Qwest is fit, willing and able to provide IXC telecommunication services in Alaska currently provided by USWLD and that the proposed merger is in the public interest.
- 2) The proposed merger be approved effective the date that the transaction is consummated.
  - a) Within 30 days of consummating the transaction Qwest should notifying the Commission of that event.
- 3) Once the transaction is consummated, the Commission require Qwest to file an adoption notice of USWLD's tariff in accordance with 3 AAC 48.400 within 30 days of closing the transaction
- 4) The Commission waive the filing requirement of 3 AAC 48.410.

## **Procedural History**

On September 20, 1999, Qwest filed an application to acquire a controlling interest in USWLD. USWLD is holder of Certificate of Public Convenience and Necessity (Certificate) No. 528 authorizing it to furnish telecommunications (intrastate interexchange) (IXC) public utility service within Alaska. Qwest's subsidiary, USLD Communications, Inc. (USLDI), holds Certificate No. 462 authorizing it to furnish IXC public utility service within Alaska.

The filing was noticed to the public on October 27, 1999, with a closing date of November 26, 1999, for submission of comments in favor of, or in opposition to, the application. The Commission has received no responses to the noticing of the application.

On January 5, 2000, the applicants supplemented their application with copies of an organizational chart and an Amended Certificate of Authority to do business in Alaska for USWLD.

## **Issues**

- 1) Whether the application be approved
  - a) Whether the applicants are fit, willing, and able to assume ownership the certificated utilities
  - b) Whether the transactions are in the public interest?
- 2) Whether any special conditions or requirements should be imposed upon the applicants
- 3) Whether any actions should be taken with respect to the rates and tariffs

## **Analysis**

The proposed transaction is between Qwest and U S West, Inc. USWLD is a subsidiary of U S West, Inc. According to the terms of the Merger Agreement, upon closing U S West, Inc. will be merged into Qwest, with Qwest continuing as the surviving corporation, and the separate corporate existence of U S West, Inc. will then cease. USWLD will survive as a separate subsidiary of Qwest. A block diagram of the post merger Qwest is included as attachment PcM-1.

### Fitness, Willingness, and Ability

Is Qwest fit, willing and able to provide public IXC utility service?

AS 42.05.241 states that a certificate may not be issued unless the Commission finds that the applicant is fit, willing and able to provide the utility services applied for . . .

AS 42.05.281 states that a certificate may not be sold or leased, rented, transferred or inherited without the prior approval of the commission.

According to the application, Qwest is a facilities based multimedia communications service provider whose subsidiaries provide Internet access, web hosting, co-location and remote access. Qwest, among other things, provides a full range of voice, data, video and related services to businesses, government agencies and consumers. Based on the information presented in its application, Staff believes that Qwest has the technical and managerial experience and knowledge to successfully operate USWLD. It has been successfully providing similar services for many years.

Qwest provided a copy of its Certificate of Authority to do business in Alaska as USWLD.

According to the financial statements provided with the application, Qwest appears in several respects in a stronger position than USWLD. The application contained financial statements for Qwest Inc. and U S West, Inc. Representatives for Qwest informed Staff that Qwest and Qwest Inc. are the same entity. According to the 1998 Form 10-K's, Qwest/US West Inc. had current ratios of 1.16/0.53, long term debt to stockholder equity of 35%/65% / 92%/8% and net profit margin of (-38%)/12%. Qwest's 10-Q for the quarterly period ending June 30, 1999 shows that it moved into positive net earning during 1999.

Based on the above, Staff believes the Commission should find that Qwest is fit, willing and able to provide public IXC utility service currently provided by USWLD.

#### Public Interest and Special Conditions

Is the transaction in the public interest?

According to the application, the proposed merger will bring together Qwest's advanced, broadband fiber-optic network and USWLD's competitive telecommunications facilities and technological expertise in advanced services. The applicants indicate the proposed merger will cause no adverse impact upon the continuity and quality of service provided to USWLD's Alaska customers. The combined company will be well situated to improve and enhance services for consumers as its operations are revolutionized by the Internet and advances in technology. With both USWLD's DSL expertise and Qwest's advanced data network, the new company will have significantly greater ability and incentive to accelerate local broadband connectivity for consumers.

Based on the above, Staff believes the Commission should find that the proposed merger is in the public interest. Staff recommends the merger be approved effective the date that the transaction is consummated. Qwest should notify the Commission of that event within 30 days of consummating the transaction.

#### Tariff

The Commission's regulation 3 AAC 48.400(a) requires that

When a utility or pipeline carrier, or portion of one, is transferred from the operating control of one utility or pipeline carrier to that of another by sale, lease, rental, inheritance, assignment, receivership, acquisition of a controlling interest by

any means, or change in the legal form of its organization, or when the name of the utility or pipeline carrier is changed, the utility or pipeline carrier operating after that, if it intends to continue using the tariff shall, for each tariff so used, issue and file with the commission and shall, at the same time, make available for the statutory notice period at every place designated under 3 AAC 48.200 - 3 AAC 48.430, a tariff supplement containing an adoption notice reading substantially as follows:

(Name of utility or pipeline carrier) hereby adopts, as if they had been originally filed by it, all tariffs, rules, notices, concurrences, provisions, authorities, power of attorney, or any other instruments of (name of predecessor utility or pipeline carrier) before (here insert the date of change). By this notice, it also adopts and ratifies all supplements and amendments to any of the above tariffs of the (name of predecessor utility or pipeline carrier).

Staff recommends the Commission require Qwest to file an adoption notice of USWLD's tariff within 30 days of closing the transaction. Staff recommends the Commission waive the requirement of 3 AAC 48.410. This regulation requires the applicant to file a new tariff in its own name after an adoption notice is filed. Since USWLD is not changing its name and there will be no change to names shown on the tariff. Staff believes this requirement should be waived. If USWLD wishes to change the address or other information in its tariff, it can do so with a tariff advice letter outside of this proceeding.

### **Conclusion**

Based on the above, Staff recommends the Commission find Qwest fit, willing and able to provide IXC telecommunication services in Alaska currently provided by USWLD and that the proposed merger is in the public interest. Staff recommends the merger be approved effective the date that the transaction is consummated. Qwest should notify the Commission of that event. Once the transaction is consummated, Staff recommends that the Commission require Qwest to file an adoption notice of USWLD's tariff in accordance with 3 AAC 48.400 and that the Commission waive the requirement of 3 AAC 48.410.

# POST-MERGER CORPORATE STRUCTURE

