

**BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION**

**Joint Application of AT&T Inc.** )  
**and BellSouth Corporation** )  
**Together with Its Certificated** )  
**Mississippi Subsidiaries** )  
**For Approval of Merger** )

**Docket No. 2006-UA-164**

**FINAL ORDER**

On March 31, 2006, AT&T Inc. (“AT&T”), BellSouth Corporation (“BellSouth”), and BellSouth’s certificated subsidiaries (collectively, “Joint Applicants”) filed a Joint Application and Request for Expedited Treatment for Approval of a Change of Control (“Joint Application”) pursuant to Miss. Code Ann. § 77-3-23 and Rule 8.100 of the Mississippi Public Service Commission’s (“Commission”) and the Mississippi Public Utilities Staff’s (“Staff”) Public Utilities Rules of Practice and Procedure (“Rules”).

On May 3, 2006, the Commission established a procedural schedule. Time Warner Telecom of the MidSouth, LLC (“TWT”), NuVox Communications, Inc. (“NuVox”), and the Communications Workers of America (“CWA”) timely intervened as parties.<sup>1</sup> In accordance with the Commission’s schedule, parties filed comments and testimony, reply comments and rebuttal testimony, and presented witnesses at a hearing held on June 27, 2006.<sup>2</sup> The

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<sup>1</sup> In addition, Trans National Communications International, Inc. (“TNCI”) intervened as a party for the limited purpose of filing comments in opposition to any merger-related changes of control. Bay Springs Telephone Company, Bruce Telephone Company, Inc., Calhoun City Telephone Company, Myrtle Telephone Company, Southeast Mississippi Telephone Company, Decatur Telephone Company, Delta Telephone Company, Inc., Franklin Telephone Company, Inc., Frontier Telephone Company, Fulton Telephone Company, Georgetown Telephone Company, Lakeside Telephone Company, Sledge Telephone Company, Fail, Inc., d/b/a Mound Bayou Telephone, Noxapater Telephone Company, and Smithville Telephone Company intervened for informational purposes only. Finally, on May 3, 2006, US LEC of Tennessee Inc. filed an untimely petition to intervene and was permitted to intervene for the limited purpose of receiving copies of any and all notices, orders, or other documents filed herein.

<sup>2</sup> On March 31, 2006, the Joint Applicants pre-filed direct testimony of three witnesses in support of the Joint Application. On May 8, 2006, TNCI filed comments opposing the Joint Application. On May 26, 2006, in accordance with the Commission’s schedule, the CWA pre-filed the direct testimony of Debbie Goldman seeking

Commission, having heard from representatives of the parties, considered the documents, pre-filed testimony, live testimony, the record before it, and on the recommendation of the Staff, as authorized by law, finds as follows:

JURISDICTION, PARTIES, AND NATURE OF THE TRANSACTION

1. The Commission has jurisdiction to enter this Order and concludes that the entry thereof is in the public interest.
2. Due and proper notice of the Joint Application and of the hearing was given to the public and to all interested parties as required by law and by the Commission's Rules.
3. AT&T is a Delaware corporation with its headquarters at 175 East Houston Street, San Antonio, Texas 78205-2233. AT&T is a holding company and does not directly provide any telecommunications services in Mississippi. AT&T's subsidiaries provide domestic and international voice and data communications services to residential, business, and government customers both in the United States and around the world. AT&T holds a 60% ownership in Cingular Wireless LLC ("Cingular"), which provides wireless voice and data services in Mississippi and across the United States.<sup>3</sup>
4. BellSouth is a Georgia corporation with its headquarters at 1155 Peachtree Street, N.E., Atlanta, Georgia 30309-3610. BellSouth is a holding company and does not directly provide any telecommunications services in Mississippi. Through its subsidiaries, BellSouth is a

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the imposition of conditions on the Commission's approval of the transaction. On that same date, NuVox and TWT jointly filed comments on the Joint Application, also requesting conditions. On June 9, the Joint Applicants filed rebuttal testimony in response to Ms. Goldman and reply comments in response to the NuVox, TWT, and TNCI comments. NuVox and TWT subsequently requested the Commission to allow their witness, Joseph Gillan, to adopt the earlier-filed comments as his pre-filed testimony. The Commission granted this request and authorized the Joint Applicants to pre-file testimony rebutting Mr. Gillan's testimony. The Joint Applicants did so on June 21, 2006, in the form of the pre-filed rebuttal testimony of Dr. Debra Aron.

<sup>3</sup> AT&T owns four subsidiaries that are duly certificated to provide competitive interexchange and local exchange telecommunications services in Mississippi: SBC Long Distance, LLC, SNET America Inc., AT&T Communications of the South Central States, LLC, and TC Systems Inc. The merger will not directly or indirectly result in the transfer of control of any of these subsidiaries.

leading communications service provider in Mississippi and elsewhere in the southeastern United States, offering voice and data services to residential, business, and government customers. BellSouth holds a 40% ownership in Cingular.

5. BellSouth Telecommunications, Inc. (“BST”) is a Georgia corporation headquartered at 675 West Peachtree Street, Atlanta, Georgia 30375. BST is a wholly owned subsidiary of BellSouth and is authorized to provide local exchange telecommunications services in Mississippi pursuant to the approval order granted by this Commission on June 25, 1991, in Docket No. 91-UA-190 and prior orders of the Commission. BST is an incumbent local exchange carrier, or “ILEC,” in its serving area in Mississippi, as that term is defined in the Telecommunications Act of 1996 (“1996 Act”).

6. BellSouth Long Distance, Inc. (“BellSouth Long Distance”) is a Delaware corporation headquartered at 400 Perimeter Center Terrace, Suite 400, Atlanta, Georgia 30346. BellSouth Long Distance is a wholly owned subsidiary of BellSouth and is authorized to provide intrastate interexchange telecommunications services throughout Mississippi pursuant to a certificate of public convenience and necessity granted by this Commission on September 23, 1997, in Docket No. 97-UA-493.

7. The merger between AT&T and BellSouth is a holding-company transaction. AT&T will purchase all of the issued and outstanding shares of BellSouth, the parent holding company of BST and BellSouth Long Distance. Following the merger, these subsidiaries will continue to be owned by BellSouth, which will become a first-tier subsidiary of AT&T.

#### STANDARD OF REVIEW

8. Under Miss. Code Ann. § 77-3-23, the Commission’s approval is required before any public utility can effectuate a “change in control of (a) certificates of public convenience and

necessity . . . or (b) any substantial part of its property necessary or useful in the performance of its duties to the public, including corporate stock that is not publicly traded.” *See also* Rule 8.100 (approval required for the direct or indirect transfer or consolidation of a public utility’s assets or certificate). The Commission will approve a transaction, on “such terms and conditions as it shall find to be just and reasonable,” upon concluding that the proposed transaction “is in good faith,” that the proposed transferee “is fit and able properly to perform the public utility services authorized by [the transferor’s] certificate and to comply with the lawful rules, regulations and requirements of the commission,” and that “the transaction is otherwise consistent with the public interest.” Miss. Code Ann. § 77-3-23.

#### DISCUSSION

9. For the reasons explained below, the Commission concludes that the merger satisfies the statutory criteria for approval set out in Miss. Code Ann. § 77-3-23 and, accordingly, that the Joint Application should be approved.

10. First, the Commission concludes that the proposed transaction is in good faith. The Joint Application states that the merger is intended to create a stronger, more viable, and more efficient telecommunications company in Mississippi and elsewhere. The Joint Application further states that, upon consummation of the merger, the shareholders of BellSouth will receive 1.325 shares of AT&T stock for each share of BellSouth stock. No party to this proceeding suggests that any aspect of this transaction is not being undertaken in good faith.

11. The Commission also concludes that BST and BellSouth Long Distance will continue to be fit and able properly to perform the public utility services authorized by their certificates following the merger. The proposed transaction will not adversely affect the financial ability of BST or BellSouth Long Distance to provide service, because neither

subsidiary (nor any AT&T-controlled subsidiary certificated to provide service in Mississippi) will be required to guarantee any debt, pledge any assets, or grant any liens as part of the merger. In addition, both BellSouth and AT&T are financially sound entities, and nothing in the record suggests that will change following the merger. Indeed, the record suggests that the merger will enhance the financial strength of these entities; the resulting organization will generate revenues from a diversified communications product set that includes local, long-distance, and wireless service, as well as data services ranging from basic broadband to high-end data service, and will market these services to a broad and geographically diverse customer base.

12. After the merger, BST and BellSouth Long Distance will continue to provide service in Mississippi just as they do today. Because this is a holding-company transaction, BST and BellSouth Long Distance will continue to hold their existing state certificates after the merger. Those entities will continue to provide services to Mississippi customers pursuant to existing tariffs and contracts. Therefore, the merger should be transparent and seamless for the customers of the operating subsidiaries of BellSouth.

13. Likewise, BST's and BellSouth Long Distance's ability to continue to comply with the lawful rules, regulations, and requirements of the Commission will not be adversely affected by the transaction. Because the merger will occur at the holding-company level only, it will not alter the Commission's authority over BST, BellSouth Long Distance, or over any other AT&T or BellSouth subsidiaries certificated to provide service in Mississippi.

14. The Commission concludes that the merger will promote the public interest. First, the Joint Applicants have demonstrated that the merger, by unifying ownership over Cingular, will enable the combined company to more quickly deliver innovative services to Mississippi customers. Christopher Rice, AT&T's Executive Vice President for Network

Planning and Engineering, testified that unification of the AT&T, BellSouth, and Cingular IP networks will facilitate the rapid deployment of new services and will reduce delays, or “latency,” associated with handoffs of data between networks.<sup>4</sup> James S. Kahan, AT&T’s Senior Executive Vice President for Corporate Development, similarly testified that the resulting entity will be better positioned to develop and deploy new services, particularly “converged” services that work across a customer’s landline, wireless, and broadband data platforms.<sup>5</sup>

15. The Joint Applicants further demonstrated that the merger will speed deployment of competitive video services in Mississippi. John M. McCullouch, President of BellSouth Mississippi, testified that the merger will give AT&T access to the more than 9,000 sheath miles of existing fiber infrastructure BellSouth has deployed in Mississippi.<sup>6</sup> Mr. McCullouch further testified that BellSouth has not yet decided whether to offer competitive video services using this fiber, whereas, according to Mr. Kahan, AT&T is already pursuing the deployment of IP-based video service in the states traditionally served by SBC Communications Inc. (which, after its merger with AT&T Corp., became AT&T Inc.).<sup>7</sup> Mr. Kahan further testified that the merger will enable the combined company to more efficiently deploy video service throughout the combined company’s region, including in Mississippi.<sup>8</sup> These efficiencies will arise from the combined company’s broader customer base, which will lead to efficiencies in the acquisition of programming and in the development of systems needed to provision video service.

16. The Joint Applicants have also shown that the merger will facilitate prompt and efficient disaster response. On behalf of AT&T, Mr. Rice testified that the merger will facilitate

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<sup>4</sup> See Prefiled Testimony of Christopher Rice at 3-4 (“Rice Direct”) (Joint Application Exh. L).

<sup>5</sup> See Prefiled Testimony of James S. Kahan at 4 (“Kahan Direct”) (Joint Application Exh. K).

<sup>6</sup> See Prefiled Testimony of John M. McCullouch at 3 (“McCullouch Direct”) (Joint Application Exh. M).

<sup>7</sup> See McCullouch Direct at 3; Kahan Direct at 5.

<sup>8</sup> See Kahan Direct at 5; *see also* McCullouch Direct at 3.

faster identification of problems and deployment of resources in response to outages.<sup>9</sup> Although the companies have in the past worked cooperatively in response to natural disasters, the merger will eliminate the impediments inherent in coordinating efforts between separate companies and enable the combined company to more quickly respond to an emergency.<sup>10</sup> Additionally, as Mr. Rice also explained, the merger will give BST in Mississippi ready access to AT&T's unique disaster response resources, including custom-built emergency communications vehicles with satellite uplink facilities, as well as a fleet of "mobile" central offices that can be deployed whenever a central office has been taken out of service.<sup>11</sup>

17. The merger will also lead to increased research and development. Mr. Rice testified that the merger will facilitate investment by creating a broader customer base across which to spread the costs of research and development.<sup>12</sup> In addition, Mr. Rice testified that the BellSouth entities will have access to the resources and experience of AT&T Labs, a long-time innovator in the communications industry.<sup>13</sup> Although this increased research and development will benefit all classes of consumers, the potential benefits to rural customers are particularly noteworthy. As explained by Mr. Rice in testimony before the Commission, the merger will allow AT&T and BellSouth to combine their efforts to expand BellSouth's already-extensive broadband deployment in Mississippi even further into rural areas, particularly through the use of wireless broadband technologies.

18. The Commission concludes that the record in this proceeding supports the Joint Applicants' contention that the merger will yield the public-interest benefits discussed above. In

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<sup>9</sup> See Rice Direct at 4-5.

<sup>10</sup> See McCullough Direct at 5.

<sup>11</sup> See Rice Direct at 5.

<sup>12</sup> See *id.* at 2.

<sup>13</sup> See *id.*

fact, no party seriously disputes the existence of these benefits, and the testimony referenced above thoroughly supports the Joint Applicants' claims.

19. At the same time, the merger is unlikely to result in any public-interest harms. First, there is no allegation that the merger will harm competition in the provision of service to mass-market residential and small business customers. AT&T has not actively participated in the mass market in Mississippi since AT&T Corp.'s decision in 2004, prior to the announcement of its merger with SBC Communications Inc., to discontinue actively marketing wireline service to residential customers. As the Federal Communications Commission ("FCC") has recognized, AT&T's decision in this regard was irreversible.<sup>14</sup> As explained by Dr. Debra Aron – an economist who testified in support of the Joint Application – AT&T's decision necessarily means that it is not a meaningful participant in the mass market and thus that the merger will not adversely affect competition for mass-market services.<sup>15</sup>

20. The merger also poses no threat to competition for enterprise customers. Intervenors NuVox and TWT claim that the only "significant competitors" to AT&T and BellSouth in the enterprise market are "the traditional wireline CLECs (such as ourselves)," and they further assert that the merger will eliminate competition between BST and AT&T for enterprise customers.<sup>16</sup> But, as the FCC has recognized, competition for enterprise customers is "robust" and is driven by "sophisticated, high-volume purchasers of communications services

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<sup>14</sup> See Memorandum Opinion and Order, *SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, 20 FCC Rcd 18290, ¶ 103 (2005) ("*SBC/AT&T Merger Order*") (noting that "[r]egardless of what role AT&T played in the past, . . . AT&T's actions to cease marketing and gradually withdraw from the mass market mean it is no longer a significant provider (or potential provider) of local service, long distance service, or bundled local and long distance service to mass market consumers," and rejecting as "speculative and unrealistic" arguments that AT&T "could readily and easily reverse its decision").

<sup>15</sup> See Prefiled Rebuttal Testimony of Debra J. Aron on Behalf of AT&T Inc. and BellSouth Corporation at 9 (filed June 21, 2006) ("Aron Rebuttal").

<sup>16</sup> Comments of NuVox Communications, Inc. and Time Warner Telecom of the Mid-South, LLC at 5 (filed May 26, 2006) ("NuVox/TWT Comments"). As noted above, *see supra* note 2, these comments were subsequently adopted by Joseph Gillan as his testimony.



that demand high-capacity communications services.”<sup>17</sup> The merged entity will face competition for enterprise customers from a wide range of competitors in Mississippi, including traditional wireline carriers, systems integrators, international carriers, CLECs, equipment vendors, and, increasingly, wireless carriers. AT&T’s acquisition of BellSouth will not adversely affect that competitive landscape. Furthermore, as Mr. Kahan and Mr. McCullough both testified, the competitive overlap between AT&T and BellSouth is relatively narrow. AT&T has traditionally focused on the largest multi-location retail business customers with a national and international presence, while BellSouth has focused on small, medium, and regional businesses.<sup>18</sup> The competitive emphases of AT&T and BellSouth are thus largely complementary, and competition for enterprise customers will continue to thrive after the merger.

21. NuVox and TWT also assert that the merger would disrupt the “resource balance” between BST as an ILEC and the CLECs in Mississippi, thus resulting in unequal bargaining power that could frustrate the goals of the 1996 Act.<sup>19</sup> We disagree. Nothing in the 1996 Act even suggests that parity of resources among competitors is required or even contemplated by that statute. Congress, in passing the 1996 Act, removed all legal and regulatory entry barriers to competition in the local market and thereby opened that market to new entrants. Congress further established procedures intended to secure meaningful competition, such as mandatory interconnection, the duty to negotiate interconnection agreements in good faith, state commission arbitration of disputes, and the ability to “opt in” to existing interconnection agreements. Moreover, this Commission is always available to address CLEC complaints. These procedures provide sufficient safeguards to protect against whatever “resource imbalance” or unequal

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<sup>17</sup> *SBC/AT&T Merger Order* ¶¶ 56, 73 n.223.

<sup>18</sup> See Kahan Direct at 8; McCullough Direct at 6.

<sup>19</sup> NuVox/TWT Comments at 2.

bargaining power might exist, and they will remain in place after the merger. The Commission is therefore satisfied that the merger will not undermine the goals of the 1996 Act.

### CONSIDERATION OF CONDITIONS

22. Intervenors NuVox, TWT, and the CWA propose a variety of conditions on the merger. As noted at the outset, the Commission is authorized to condition its approval of a merger on “such terms and conditions as it shall find to be just and reasonable.” Miss. Code Ann. § 77-3-23. The Commission agrees with Dr. Aron, however, that conditions can do more harm than good, and thus that it is appropriate to exercise that authority only where conditions are necessary to remedy public-interest harms resulting from the merger itself.<sup>20</sup> In the absence of such a showing, it would be inappropriate to impose conditions.

23. The conditions proposed by NuVox and TWT do not satisfy this standard. In particular, the Commission rejects NuVox and TWT’s invitation to impose a price-cap plan for unbundled network elements (“UNEs”) purchased from BellSouth. The record does not indicate that CLECs lack access to these facilities at just and reasonable rates under the TELRIC pricing rules, or that the merger will alter their ability to gain such access. Moreover, as Dr. Aron testified at the hearing, imposing price caps would be a complex undertaking raising significant questions that should be considered, if at all, in an appropriate proceeding where such questions can be comprehensively addressed. The Commission declines to make such a far-reaching change in the pricing of UNEs as a condition of approval of this merger.

24. The record also does not warrant the alteration of BellSouth’s Service Quality Measurement (“SQM”) and Self Effectuating Enforcement Mechanism (“SEEM”) performance plans, as NuVox and TWT propose. The Commission recently reviewed and approved changes

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<sup>20</sup> See Aron Rebuttal at 27-29.

to the earlier-established performance reporting and penalty plans that provide incentives for BellSouth to meet its obligations under the 1996 Act.<sup>21</sup> Nothing in this record suggests that this merger will affect BellSouth's obligation to provide nondiscriminatory wholesale service to CLECs, or its incentives to do so. There is therefore no basis to change those performance plans as a condition of approving this merger.

25. NuVox and TWT also ask the Commission to impose a condition requiring the combined company to interconnect its IP network "at any technically feasible point and at reasonable costs."<sup>22</sup> Such a condition is not warranted on the basis of the record, and, in any event, NuVox and TWT have failed to explain what, exactly, such a condition would entail or how it would be enforced. Moreover, depending on its particulars, such a condition is likely outside this Commission's jurisdiction, in view of the FCC's conclusion that Internet service is fundamentally interstate in character and therefore beyond the scope of state jurisdiction.<sup>23</sup>

26. The Commission also does not find any valid reason to condition approval on BST forfeiting its contractual right to audit CLEC compliance with FCC safeguards regarding the use of enhanced extended links ("EELs"). NuVox and TWT contend that BST continues to audit CLECs for compliance with the EELs safeguards that the FCC put in place in 2000,<sup>24</sup> notwithstanding the fact that the FCC replaced those safeguards in its 2003 *Triennial Review*

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<sup>21</sup> See Final Order, *Consideration of the Provision of In-Region InterLATA Services by BellSouth Telecommunications, Inc.*, Docket No. 97-UA-321 (Miss. PSC Oct. 4, 2001) (approving BellSouth's entry into the long-distance market under 47 U.S.C. § 271, as well as BellSouth's SQM and SEEM plans). The Commission issued subsequent orders approving changes to the SQM/SEEM plans on May 30, 2002 (in Docket No. 97-UA-321); December 2, 2002 (in Docket No. 97-AD-321); and December 19, 2002 (in Docket No. 97-AD-321). Finally, on October 24, 2005 (in Docket No. 97-AD-321), the Commission approved a revised SQM plan and a new SEEM plan for Mississippi.

<sup>22</sup> NuVox/TWT Comments at 10.

<sup>23</sup> See Memorandum Opinion and Order, *Vonage Holdings Corp. Petition for Declaratory Ruling Concerning an Order of the Minnesota Public Utilities Commission*, 19 FCC Rcd 22404 (2004).

<sup>24</sup> See Supplemental Order Clarification, *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, 15 FCC Rcd 9587 (2000), *aff'd*, *Competitive Telecomms. Ass'n v. FCC*, 309 F.3d 8 (D.C. Cir. 2002).

*Order*.<sup>25</sup> NuVox and TWT do not dispute, however, that BST has a contractual right to such audits in its existing interconnection agreements. This issue thus appears to be entirely unrelated to the merger. The Commission finds that this matter is not an appropriate subject for this proceeding or a basis for imposing a condition on this merger.

27. The record in this proceeding likewise does not support imposition of the “fresh look” condition. NuVox and TWT propose that large customers that have signed long-term contracts with AT&T be allowed to invalidate those contracts without paying applicable termination charges or penalties.<sup>26</sup> As acknowledged by Joseph Gillan – a consultant who testified on behalf of NuVox and TWT in support of this and other conditions – this proposal is the “most aggressive” of the proposed conditions at issue here. It would, in effect, invalidate binding contracts between AT&T and its customers in Mississippi, based on speculation that the customers chose AT&T because of dissatisfaction with BST and a preference to be served by what Mr. Gillan terms “the competitive sector.” The Joint Applicants explained, however, that AT&T’s operating subsidiaries in Mississippi will remain in place following the merger and will continue to provide service pursuant to their existing contracts and tariffs. Thus, even if Mr. Gillan is correct in his assertion that some customers may have signed contracts with AT&T because they did not wish to be served by BST, those contracts will remain in effect and be honored by AT&T after the merger. Furthermore, as Dr. Aron testified, “[c]ontractual commitments are critical to the functioning of a market-based economic system,” and parties must as a general matter be able to rely on those contracts.<sup>27</sup> That is particularly relevant in

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<sup>25</sup> Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, 18 FCC Rcd 16978 (2003) (“*Triennial Review Order*”), *vacated in part and remanded, United States Telecom Ass’n v. FCC*, 359 F.3d 554 (D.C. Cir.), *cert. denied*, 543 U.S. 925 (2004).

<sup>26</sup> See NuVox/TWT Comments at 10.

<sup>27</sup> Aron Rebuttal at 32.

dealing with contracts for communications services involving long-term commitments in return for lower prices and investment in the facilities necessary to perform under those contracts.

28. The CWA requests that the Commission require: (1) that the Joint Applicants “commit to maintain the highest standards of service quality”; (2) that the Joint Applicants “commit to upgrade every central office in the state for DSL capability within two years”; (3) that the Joint Applicants “maintain employment levels in the state of Mississippi for at least three years after the merger closes”; and (4) that the Joint Applicants “shall not close any technical operations, call centers, or other facilities in the state of Mississippi for three years after the merger closes.”<sup>28</sup> The CWA asserts that these conditions are necessary because the merger “could” result in lost jobs with negative consequences to service quality.<sup>29</sup>

29. The record does not support the CWA’s concerns regarding the likely effect of the merger on jobs or on service quality. AT&T, BellSouth, and Cingular collectively employ more than 300,000 individuals globally. The Joint Applicants predict that the merger will result in the elimination of approximately 10,000 of these positions over three years spread across all three companies.<sup>30</sup> Although the CWA is understandably concerned about lost jobs, the Joint Applicants have demonstrated that, combined, they will lose approximately 64,000 employees over this same period of time through natural attrition.<sup>31</sup> The Joint Applicants therefore anticipate that any headcount reductions in Mississippi resulting from the merger can be managed largely through attrition.<sup>32</sup> In light of this fact and the Joint Applicants’ stated commitment to honor existing protections in collective bargaining agreements, the Commission

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<sup>28</sup> Direct Testimony of Debbie Goldman on Behalf of Communications Workers of America at 2 (filed May 26, 2006).

<sup>29</sup> *Id.* at 1.

<sup>30</sup> *See* Prefiled Rebuttal Testimony of James S. Kahan at 2 (filed June 9, 2006).

<sup>31</sup> *See id.* at 3.

<sup>32</sup> *See id.*

finds that imposing restrictions on the merged entity's employment levels is unnecessary and could interfere with the combined company's ability to compete and to deliver the public-interest benefits described above.

30. In respect to service quality, the Joint Applicants have demonstrated that the merger will be transparent and seamless to Mississippi customers, who will continue to receive service from the existing AT&T and BellSouth entities operating in the State at existing levels of quality. Furthermore, as BST's State President, John McCullouch, testified, the merged entity will have a strong and natural incentive to provide the highest quality of service, as "high-quality service is at a premium" and "the failure to provide such service leads to customer losses."<sup>33</sup> Based upon the lack of evidence that there will be significant job losses resulting from the merger and the Joint Applicants' incentive to provide high-quality service in this highly competitive environment, the Commission does not agree that the combined company should be required to commit to a particular service level or to guarantee that employment in Mississippi will continue at current levels for a specified time.

31. The remaining conditions proposed by the CWA are also unsupported by the record. As noted, the CWA asks that the Joint Applicants be required to upgrade every central office in Mississippi to support DSL within two years. Mr. McCullouch explained, however, that BST has already upgraded all 203 of its central offices in Mississippi serving residential customers.<sup>34</sup> Similarly, the Commission rejects the suggestion that the Joint Applicants should be required to guarantee that the merged company will not close any technical operations, call centers, or other facilities in Mississippi for at least three years following the merger. Mr. Kahan testified that AT&T has no plans at this time to close any facilities in Mississippi as a

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<sup>33</sup> Prefiled Rebuttal Testimony of John M. McCullouch at 1-2 (filed June 9, 2006).

<sup>34</sup> *See id.* at 2.

consequence of the merger. Thus, there is no impending threat that the merger will lead to such closures. At the same time, the Joint Applicants require the same flexibility enjoyed by other Mississippi companies to respond to the needs of customers and developments in the marketplace. In this respect, the Commission agrees with Dr. Aron that this condition, by interfering with that flexibility, could hobble the merged entity's ability to remain competitive and could, in the long run, result in a less viable company that is less equipped to provide stable jobs with opportunities for advancement in Mississippi.<sup>35</sup>

### CONCLUSION

32. The Commission concludes that the proposed merger between AT&T Inc. and BellSouth Corporation is in good faith, that BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. will continue to be fit and able properly to perform the public utility services authorized by their certificates and to comply with the lawful rules, regulations, and requirements of the Commission, and that the transaction is otherwise consistent with the public interest. The Commission further concludes that the record does not establish any public-interest harms that will result from the merger, and that no conditions should be imposed upon this Commission's approval of the Joint Application.

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<sup>35</sup> See Aron Rebuttal at 29 (discussing the harms that can result from the imposition of unnecessary conditions).

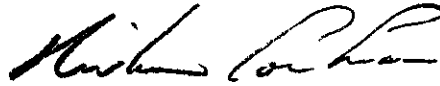
IT IS THEREFORE ORDERED that:

1. The Joint Application and Request for Expedited Treatment for Approval of a Change of Control should be and is hereby granted.
2. This Order shall be deemed issued on the day it is served upon the parties herein by the Executive Secretary of this Commission who shall note the service date in the file of this Docket.

DATED this the 25<sup>th</sup> day of July, 2006.

Chairman Nielsen Cochran voted Aye; Vice-Chairman Leonard Bentz voted Aye; and Commissioner Bo Robinson voted Aye.

MISSISSIPPI PUBLIC SERVICE COMMISSION



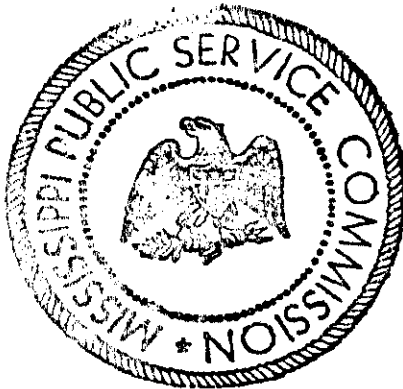
NIELSEN COCHRAN, CHAIRMAN



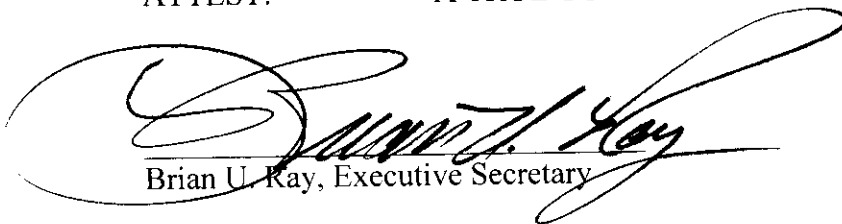
LEONARD BENTZ, VICE-CHAIRMAN



BO ROBINSON, COMMISSIONER



ATTEST: A TRUE COPY



Brian U. Kay, Executive Secretary

Effective this the 25<sup>th</sup> day of July, 2006.