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WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
600 4th Floor
1000 4th Avenue
Seattle, WA 98101

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In re Application of Bell)
Atlantic Corporation and)
GTE Corporation for Approval) UT- _____
of the GTE Corporation - Bell Atlantic)
Corporation Merger.)
_____)

JOINT APPLICATION

GTE Corporation ("GTE") and Bell Atlantic Corporation ("Bell Atlantic") (collectively, the "Joint Applicants") hereby request the Washington Utilities and Transportation Commission (the "Commission") (a) to disclaim jurisdiction over the GTE-Bell Atlantic merger (described below); or, (b) alternatively, if the Commission concludes that it has jurisdiction over the transaction, Joint Applicants request an order from the Commission granting any authorization it deems necessary.

DESCRIPTION OF THE JOINT APPLICANTS

A. GTE

GTE Corporation is a corporation created and existing under the laws of the State of New York, with its principal office located at 1255 Corporate Drive, Irving, Texas 75038-2518. GTE's subsidiaries provide telecommunications services on a regulated and unregulated basis in various locations in the United States and in several foreign countries. GTE's regulated incumbent local telephone subsidiaries provide service in 28 states, including Washington.

Although GTE itself is not a regulated telephone company within Washington or elsewhere, GTE's local telephone subsidiaries, or operating companies, are subject to public utility regulation in the states in which they operate as well as regulation by the Federal Communications Commission ("FCC") for the interstate services they provide to end users and interexchange carriers.

In 1998, GTE had annual operating revenues of \$ 25.5 billion. It has a strong balance sheet and investment-grade credit rating. Its operating companies serve approximately 23.5 million access lines throughout the country. GTE's cellular operations provide service to 4.8 million customers in the United States, and its long distance operations provide service to almost 2.7 million customers. GTE Wireless provides PCS-based mobile radio telecommunications throughout much of Washington State.

GTE has two subsidiaries that provide regulated services (referred to herein as "the GTE subsidiaries"). GTE Northwest Incorporated ("GTE Northwest") provides local telephone service to over 850,000 switched access lines throughout the state. GTE Communications Corporation ("GTECC"), formerly known as GTE Card Services, Inc., d/b/a GTE Long Distance, is registered to provide intrastate telecommunications service in Washington.

B. Bell Atlantic

Bell Atlantic Corporation is a corporation created and existing under the laws of the State of Delaware. Its principal offices are located at 1095 Avenue of the Americas, New York, New York 10036. Bell Atlantic's subsidiaries provide telecommunications services on a regulated and unregulated basis in various locations throughout the United States and in several

foreign countries. Bell Atlantic's regulated local telephone subsidiaries provide service in thirteen states and the District of Columbia.

Although Bell Atlantic itself is not a regulated telephone company within Washington or elsewhere, Bell Atlantic's local telephone subsidiaries are subject to public utility regulation in the states in which they operate as well as regulation by the FCC for the interstate services they provide to end users and interexchange carriers. Bell Atlantic has two subsidiaries registered with the Commission, Bell Atlantic Communications, Inc. and NYNEX Long Distance Company, d/b/a Bell Atlantic Long Distance.

In 1998, Bell Atlantic had annual operating revenues of \$ 31.6 billion. It has a strong balance sheet and investment-grade credit rating. Its operating companies serve approximately 41.6 million domestic access lines, primarily in the Northeast and Mid-Atlantic. Bell Atlantic's cellular operations provide service to 6.6 million customers in the United States.

As the above descriptions show, there is no overlap of any local exchange operations of Bell Atlantic and GTE operations within Washington. Accordingly, Bell Atlantic and GTE do not compete against each other in their core businesses within Washington.

C. Service Addresses

Notices and other pleadings in connection with this Joint Application should be served on the Joint Applicants as follows:

For GTE:

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DESCRIPTION OF THE MERGER

The mechanics of the merger of GTE and Bell Atlantic are described in the Merger Agreement (Appendix A to the Joint Applicants' Joint Proxy Statement to their shareholders, attached hereto as Exhibit 1). GTE will merge into Beta Gamma Corporation, a subsidiary of Bell Atlantic created solely to facilitate the merger. GTE will be the surviving subsidiary, and Bell Atlantic will be the surviving parent corporation. GTE's shareholders will receive 1.22 shares of Bell Atlantic for every share owned of GTE. Certified copies of the resolutions of the GTE and Bell Atlantic Boards of Directors approving the merger are attached as Exhibits 2 and 3, respectively.

At closing, (i) the merged company's headquarters will be located in New York City; (ii) Charles R. Lee, currently Chairman and Chief Executive Officer of GTE, will become Chairman and co-Chief Executive Officer of the merged company; (iii) Ivan Seidenberg, currently Chairman and Chief Executive Officer of Bell Atlantic, will become President and co-Chief Executive Officer of the merged company; and (iv) the Boards of Directors of GTE and Bell Atlantic will have each selected half of the new Board of Directors for the merged

company. Until July 1, 2002, the new Board of Directors will nominate GTE and Bell Atlantic directors for election to maintain equality on the new Board.

For federal income tax purposes, the merger is intended to qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986. Assuming the merger qualifies as such a reorganization, GTE shareholders will realize no gain or loss with respect to the exchange of their GTE shares for Bell Atlantic shares, except for cash received in lieu of fractional shares. Furthermore, the merger is intended to be accounted for as a pooling of interests transaction under Generally Accepted Accounting Principles and APB Opinion 16. As such, Bell Atlantic will retroactively restate for financial purposes its Consolidated Financial Statements to include the assets, shareholder equity, and results of operations of GTE as though GTE and Bell Atlantic had been combined at the beginning of all reported periods.

Since this is a merger of the two parent corporations with the exchange of voting common shares of GTE for Bell Atlantic stock, it will not be necessary for Bell Atlantic to issue bonds, notes, or any other form of indebtedness to finance the merger, nor will it be necessary to sell any assets in Washington.

Until the merger is completed, GTE and Bell Atlantic will continue to operate as independent entities. The merger will not occur until all necessary governmental and regulatory approvals and reviews have been obtained or completed. This process includes a review by the United States Department of Justice ("DOJ"). On May 7, 1999, the DOJ approved the GTE-Bell Atlantic merger. The DOJ placed no conditions on the merger, other than the sale of overlapping wireless operating territories; none of the territories to be disposed of are in Washington. A large number of state commissions have already considered the GTE-

Bell Atlantic proposed merger; the FCC, and a number of state commissions are still considering the transaction. When the merger is completed, GTE's subsidiaries in Washington will remain as subsidiaries of GTE. The authorizations and licenses currently held by the GTE regulated subsidiaries will continue to be held by the respective entities.

The transactions necessary to complete the merger will not change the GTE regulated subsidiaries' relationship with the Commission: GTE Northwest will simply become a second-tier subsidiary of Bell Atlantic. Thus, no operations, lines, plants, franchises or permits of the GTE regulated subsidiary will merge with the lines, plants, franchises or permits of any Bell Atlantic entity. Furthermore, the GTE-Bell Atlantic merger will not cause any change in the rates, terms or conditions for the provision of any telecommunications services provided in Washington. Such changes, if any, would be made at a later date, subject to such regulatory approval as may be required.

Therefore, the merger will not interfere with the Commission's jurisdiction nor impede the satisfaction of its public policy goals. GTE Northwest will continue to meet all its obligations and commitments under the Commission's rules, regulations and decisions.

JURISDICTION

Neither GTE nor Bell Atlantic is a public service company subject to this Commission's jurisdiction. Commission authorization is necessary under RCW 80.12.020 for a public service company to sell, lease, assign, or otherwise dispose of, or merge or consolidate, any of its franchises, properties or facilities with any other public service company. Under RCW 80.12.040, Commission authorization is necessary before another public service company can, directly or indirectly, purchase, acquire, or become the owner of any of the capital stocks or bonds of a public service company.

The statutory authorities do not give the Commission jurisdiction over the GTE-Bell Atlantic transaction. RCW 80.12.020 does not apply for two different reasons. First, no Washington public service company is attempting to sell, lease, assign or otherwise dispose of any of its franchises, properties or facilities in the GTE-Bell Atlantic transaction. Secondly, and independently, the GTE-Bell Atlantic transaction does not operate to sell, lease, assign, or otherwise dispose of, or merge or consolidate, any Washington franchises, properties or facilities. Similarly, RCW 80.12.040 does not apply because no public service company is, under the GTE-Bell Atlantic transaction, purchasing, acquiring or becoming the owner of any of the capital stocks or bonds of any other public service company. Accordingly, Joint Applicants request an order of the Commission determining that it has no jurisdiction over the transaction and that no authorizations are required under Chapter 80.12.RCW. Alternatively, if the Commission determines that it has jurisdiction over the transaction, Joint Applicants request an order of the Commission granting authorization as it deems appropriate.

PRIOR SUBMISSIONS TO THE COMMISSION

On October 2, 1998, Timothy J. McCallion, the Regulatory and Governmental Affairs Vice President-West for GTE Services Corporation, wrote to the Commission advising the Commission of the proposed merger of GTE and Bell Atlantic. On October 26, 1998, Commission Secretary Carole J. Washburn responded on behalf of the Commission (the "Letter"). In most relevant part, the Letter provided:

In your letter you state that, under current Washington law, Commission approval is not required for the merger. Based on the factual representations contained in your letter, the Staff of the Commission concurs, providing the merger does not result in a disposition of GTE Northwest, Incorporated's ("GTE Northwest") assets under RCW 80.12.020. Such a transfer would require Commission approval.

A copy of the Letter is attached as Exhibit No. 4. Based on the Letter and Applicants' review of Washington law, the Joint Applicants did not commence any proceeding before the Commission regarding the GTE-Bell Atlantic transaction. In March, 1999, the Commission issued an order in a different proceeding, which appeared to question the validity of the Letter. In the Matter of the Application of PacifiCorp and Scottish Power PLC, Docket No. UE-981627, Second Supplemental Order; Commission Decision and Order Regarding Jurisdiction (March 16, 1999). Neither GTE, nor any GTE subsidiary, nor any Bell Atlantic entity, were a party to that case. In light of the questions raised in that order regarding the Commission Letter, Joint Applicants have filed this Application.

REASONS FOR THE MERGER

Bell Atlantic and GTE are merging because, over the long-term, they can better achieve their goals in the increasingly competitive telecommunications environment as a combined entity. Although Bell Atlantic and GTE have each pursued these goals separately, the changing nature of the telecommunications industry within the United States makes it desirable for them to pool their resources and expertise.

The telecommunications industry has changed because technology, customer expectations, and public policy have changed radically within the last five years. Advancing technology has expanded the options available to consumers, who then create a demand for new services and new service providers. These changes are continuing and accelerating. The Telecommunications Act of 1996 (the "1996 Act") has recognized these changes and has, accordingly, opened the doors to competition.

Incumbent communications companies like GTE's and Bell Atlantic's operating companies must not only meet the future needs of their current customers, they must also

compete with the numerous alternative providers who are entering the marketplace.

Moreover, in order to enter new territories and offer viable competitive services, incumbent companies must ensure that they have adequate resources.

Companies spanning the spectrum of sizes and services have recognized these complex dynamics and have taken significant steps to modify their business practices accordingly. For example, WorldCom has merged with UUNet, MFS, Brooks Fiber, and, most recently, MCI. Qwest has, within only a few years, become a significant player in the telecommunications industry through strategic mergers, including its recent merger with LCI, and its alliance with Bell South. Sprint has formed international alliances with, among others, France Telecom and Deutsche Telekom. As the Commission is also aware, numerous local telephone company mergers have also taken place or are underway: SBC/Pacific Telesis, Ameritech/SBC/SNET, and Bell Atlantic/NYNEX. Even AT&T, the largest telecommunications corporation in the United States, has decided that corporate mergers and alliances are essential in the new telecommunications environment. AT&T has bought Teleport and TCI, formed alliances with numerous foreign carriers, and is seeking additional cable alliances.

GTE and Bell Atlantic are thus merging so they can better achieve their mutual goals in this changing environment. First, each company wants to ensure that, in the face of competition, it will remain a strong, healthy provider of basic telecommunications services in its current territories. Second, each company wants to be a fully integrated telecommunications service provider, able to offer business and residential customers packaged voice, data, long distance, video, wireless and other advanced and innovative services. Third, each company wants a national presence, with the ability to compete not only for business customers in hotly contested markets, but also for residential consumers. Competition in all

markets is a goal of both companies, consistent with both companies' longstanding commitments to universal service.

The merged company, operating with combined resources, management, personnel and technical expertise, will have more financial and operational strength than either company would have on its own. The merger will roughly double the size of each company, which will receive revenues from a widely distributed national base of customers and services. Bell Atlantic's and GTE's combined assets, management and personnel will result in more efficient corporate operations reflecting the best practices of both companies, creating a stronger and more competitive merged entity. Consequently, the merged company can, over the long-term, translate these parent company benefits into stronger support for its operations in Washington, thereby benefitting both business and residential consumers.

PUBLIC INTEREST BENEFITS OF THE MERGER

WAC 480-143-050 provides that the Commission should approve the merger if it is "consistent with the public interest." The Commission has elaborated on the standard by which the public interest is to be evaluated in cases involving changes in corporate ownership:

The standard in our rule does not require the Applicants to show that customers, or the public generally, will be made better off if the transaction is approved and goes forward. In our view, Applicants' initial burden is satisfied if they at least demonstrate no harm to the public interest.

In the Matter of the Application of PacifiCorp and Scottish Power PLC, Docket UE-981627, Third Supplemental Order on Pre-Hearing Conference (April 2, 1999).

The GTE-Bell Atlantic merger readily more than satisfies this standard. Because GTE Northwest will remain subject to Commission regulation, no changes to regulated services will occur without Commission approval. GTE Northwest will remain a separate corporate entity,

and any revisions to GTE Northwest's arrangement(s) with its corporate parent or sister companies will be reviewed pursuant to the Commission's established affiliated interests procedures, Ch. 80.16 RCW. Washington customers will experience no adverse changes, and certainly no harm, by virtue of the GTE-Bell Atlantic merger.

Beyond the absence of harm called for by the Commission's rules, the GTE-Bell Atlantic merger will offer a host of positive benefits for consumers in Washington and elsewhere:

Packaged Services: Before the 1996 Act, telecommunications markets were divided not only geographically but also by product line. Today, however, the markets for telecommunications services are demanding and being served by firms offering a full range of telecommunications services on a nationwide basis. The 1996 Act's deregulatory provisions have allowed four entities to form or plan expanded alliances capable of providing such packages across the country: MCI/WorldCom/MFS/UUNet, AT&T/TCI/Teleport, SBC/PacTel/SNET/Ameritech and Sprint/Sprint Spectrum. The merger of Bell Atlantic and GTE will create a fifth new competitor with the nationwide presence and financial resources necessary to compete head-to-head with the big four telecommunications carriers in providing the full array of telecommunications services around the country.

Internet and Data: Consumers in Washington are also increasing their demands for data services, making it important to ensure that a sufficient number of healthy competitors provide such services throughout Washington. The merger will advance this goal by strengthening GTE Internetworking (formerly known as BBN). GTE Internetworking is currently the fourth largest provider of Internet backbone services, but still far behind WorldCom, Cable & Wireless (spun off from MCI) and Sprint. The WorldCom, Cable & Wireless and Sprint data

networks are significantly larger than GTE's data network. AT&T is also attempting to join the top ranks of Internet backbone providers. The merger will provide GTE Internetworking with exposure to Bell Atlantic's large urban customer base, including the hundreds of Fortune 1000 businesses based in Bell Atlantic's territory with offices across the country. GTE Internetworking could potentially have access to a solid base of high volume data customers, enabling it to expand services faster and ensure a continued high level of competition in this critical sector.

Long Distance: The merger will increase competition in the long distance market by presenting the Joint Applicants with a better opportunity to utilize a combination of GTE's national facilities and resale capabilities. Construction of a national long-distance network requires large volumes of traffic to achieve necessary economies of scale and scope. Not surprisingly, there are few long distance facilities-based networks that are truly national in reach today. With the merger of WorldCom and MCI, there are only three fully national facilities-based carriers: MCI/WorldCom, AT&T and Sprint. Resellers of long distance service, like GTECC, are critically dependent today on one of these few network providers to supply their long distance services. Thus, GTECC is almost wholly dependent on WorldCom's facilities.

Given the generally recognized desire for one-stop shopping, the merged company will have a greater market to offer long distance on a packaged basis, making this desired service available to both GTE and Bell Atlantic customers. The revenue provided by this larger customer base will improve the GTE companies' ability to construct and operate a national switch-based long distance network to compete against the largest long distance carriers, and thus free itself from its dependence on WorldCom's wholesale capacity.

Synergies: The Joint Applicants will have the opportunity to realize synergies that will, over the long term, make the merged company more efficient and responsive in the marketplace. These expected synergies include, among other things, the elimination of duplicate management functions, primarily in headquarters functions, the consolidation of the two companies' capital and purchasing programs, and the combination of the two companies' development efforts for new systems and services.

Competition For Customers: As longstanding providers of local exchange service in their respective territories, GTE and Bell Atlantic have proven records of providing service not only to high volume business customers, but also, and primarily, to their residential and small business customers. The merged company will continue to serve all customers in their territories, unlike many other competitors in the market who are interested only in serving high-end business customers.

Corporate Citizenship: GTE and Bell Atlantic support their local communities. The merged company will continue to observe this tradition of corporate citizenship that has been a hallmark of GTE and Bell Atlantic policy for many years.

Impact on Employment: The merger is not expected to have a material impact on employment levels of GTE and Bell Atlantic hourly workers and all existing union contracts will be honored. Any labor reductions occasioned by the merger will, most likely, come from the consolidation and elimination of redundant management positions. Any consolidation of management positions that does occur is expected to be accomplished, to the extent possible, by attrition, retirement, and other voluntary measures.

Benefits from Best Practices: The merged company will be able to draw upon the expertise and abilities of the personnel from both companies, adopting each company's best

practices to better serve the public. Bell Atlantic and GTE have operated networks and marketed services in geographically distinct markets: the Midwest, South and West for GTE, and the Mid-Atlantic and Northeast for Bell Atlantic. Accordingly, they have developed separate yet complementary skills. These complementary skills will, when combined, allow both companies to better maintain and improve the quality and efficiency of the service they provide.

GTE Northwest's Continued Regulatory Compliance: The merger will not affect the regulatory authority of this Commission over those GTE and Bell Atlantic subsidiaries subject to its regulation. With specific reference to the incumbent local exchange carrier, GTE Northwest's customers will continue to obtain the same products and services as they did before the merger. GTE Northwest will continue to submit reports to the Commission as required and, when GTE Northwest is ready to change the rates, terms or conditions of service, or introduce new services, it will, as necessary, apply to the Commission for appropriate authorization.

COMPLIANCE WITH COMMISSION RULES

As set out above, the Joint Applicants dispute that the GTE-Bell Atlantic transaction is subject to the jurisdiction of this Commission. Notwithstanding that contention, the Joint Applicants submit this verified Application pursuant to WAC 480-143-010. Included with the Application is the Joint Proxy Statement of GTE Corporation and Bell Atlantic Corporation, as well as each company's most recent Form 10-K as filed with the United States Securities Exchange Commission. The Joint Applicants submit that this information satisfies the requirements of the final sentence of WAC 480-143-010. To the degree that these exhibits do

not supply all of the information sought in that rule, the Joint Applicants request that the requirement be waived.

Joint Applicants dispute that the franchises, properties or facilities of any existing Washington public service company are being sold, leased, assigned or otherwise disposed of through the GTE Bell Atlantic transaction. Nonetheless, pursuant to 480-143-030, the Joint Applicants state that there will be no changes in any rates, service or equipment resulting from the GTE Bell Atlantic transaction.

WAC 480-143-040 establishes that:

The Commission may in its discretion upon inspection of an application set the matter down for public hearing and require all parties to the transaction to appear and give testimony as to the same.

For all the same reasons set forth above, including the delay in the commencement of this proceeding and the numerous approvals that have already been granted by the DOJ and the Commission's sister commissions across the states, and the information included in this verified Application, the Joint Applicants request that the Commission exercise its discretion and refrain from holding a public hearing on this matter. The Joint Applicants request expedited consideration of this Application. The Joint Applicants request that the Commission promptly notice a Pre-Hearing Conference, at which the Commission adopt a schedule for the prompt resolution of this proceeding.

EXHIBITS

In further support of this application, the Joint Applicants submit the following exhibits:

Exhibit No. 1 GTE Corporation and Bell Atlantic Corporation Joint Proxy Statement
for 1999 Annual Meetings of Shareholders and Prospectus, which

includes as Appendix A the Agreement and Plan of Merger, Dated as of July 27, 1998 by and among Bell Atlantic Corporation, Beta Gamma Corporation and GTE Corporation.

Exhibit No. 2 Certified Resolutions of Board of Directors of GTE Approving Merger.

Exhibit No. 3 Certified Resolutions of Board of Directors of Bell Atlantic Approving Merger.

Exhibit No. 4 Letter from Commission Secretary Carole J. Washburn, dated October 26, 1998.

Exhibit No. 5 GTE Corporation 1998 Form 10K.

Exhibit No. 6 Bell Atlantic Corporation 1998 Form 10K.

Exhibit No. 7 Pre- and Post-Merger Organizational Charts.

CONCLUSION

WHEREFORE, the Joint Applicants respectfully request that the Commission declare that its authorization of the GTE-Bell Atlantic merger is not required by

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Washington law, or should the Commission conclude that authorization is required, grant such authorization, and allow such further relief as is necessary.

Respectfully submitted at Seattle, Washington this 11th day of May, 1999.

For GTE Corporation:

STOEL RIVES LLP

By Timothy J. O'Connell
Timothy J. O'Connell
WSBA #15372
Its Attorney

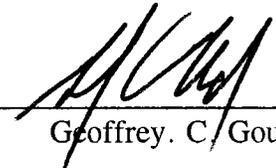
For Bell Atlantic Corporation:

By John M. Walker per authorization
John M. Walker
Its Attorney

VERIFICATION

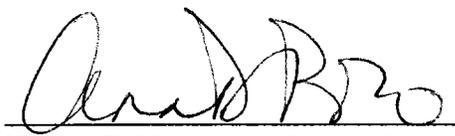
STATE OF _____)
) ss.
County of _____)

Geoffrey C. Gould, being first duly sworn, deposes and says that he is the Vice President, Governmental and Regulatory Affairs of GTE Corporation, one of the applicants in the proceeding entitled above, that he has read the foregoing application and knows the contents thereof; that the same are true of his own knowledge, except as to matters which are therein stated on information and belief, and as to those matters he believes them to be true.



Geoffrey. C. Gould

Subscribed and sworn before me this 10th day of May, 1999.



Notary Public in and for the State of
District of Columbia, residing at

ANN D. BERKOWITZ
NOTARY PUBLIC, DISTRICT OF COLUMBIA
MY COMMISSION EXPIRES: 6/31/01

Verification

State of New York)

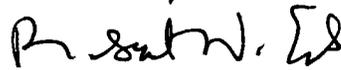
County of New York)

P. Alan Bulliner, being first duly sworn, deposes and says that he is Associate General Counsel and Corporate Secretary of Bell Atlantic Corporation, one of the applicants in the proceeding entitled above, that he has read the foregoing application and knows the contents thereof; that the same, insofar as they relate to Bell Atlantic, are true of his own knowledge, except as to matters which are therein stated on information and belief, and as to those matters as he believes them to be true.



P. Alan Bulliner

Subscribed and sworn before me this 10th day of May, 1999.



Notary Public in and for the State
of New York

ROBERT W. ERB
Notary Public, State of New York
No. 31-4808105
Qualified in New York County
Commission Expires January 31, 20 01