

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the) Docket No. UT-_____
)
Joint Petition of) JOINT PETITION
)
Verizon Communications Inc., and)
MCI, Inc.)
)
for a Declaratory Order Disclaiming)
Jurisdiction Over or, in the Alternative a Joint)
Application, for Approval of Agreement and)
Plan of Merger)
_____)

1 Pursuant to WAC 480-07-930 Verizon Communications Inc. (“Verizon”) and MCI, Inc. (“MCI”) (collectively, the “Petitioners”) hereby request a declaratory order that the Washington Utilities and Transportation Commission (the “Commission”) lacks jurisdiction under RCW Ch. 80.12. to investigate and approve the proposed transaction between Verizon and MCI. Without waiver of their position that the Commission lacks such jurisdiction, in the alternative, Petitioners seek approval of a transaction that will result in MCI becoming a wholly-owned subsidiary of Verizon.¹ WAC 480-07-930(5) requires this Commission to act on this Petition within 30 days of its filing. Therefore, resolution of the issue of jurisdiction must occur promptly and prior to entertaining the alternative relief requested.

2 This Petition arises out of an Agreement and Plan of Merger that Verizon and MCI executed on February 14, 2005, and subsequently amended on March 29, 2005 and May 1, 2005. For the reasons set forth below, the parent company stock transaction contemplated by the Merger Agreement does not fall within the Commission’s statutory jurisdiction under RCW Ch. 80.12. Accordingly, the Commission should declare that it need not review the proposed transaction.

¹ Technically such approval is sought by an application under WAC 480-07-370(e). For purposes of this pleading both the petition for a declaratory order and this application will be referred to as “Petition.”

3 However, if the Commission reaches a contrary conclusion with respect to its statutory jurisdiction, the Petitioners request expeditious approval of their proposed transaction. As described in greater detail below, the Verizon/MCI transaction is a parent level stock transaction that will have no adverse effect on the rates or the quality of service of regulated subsidiaries of Verizon and MCI providing services in Washington. To the contrary, the transaction will enable both companies to provide a wider array of competitively-priced, facilities-based, high quality services and products than either company would be able to provide alone. Although the transaction has many benefits, the ability to provide a broader array of products and services following the transaction is particularly important because the advent of wireless and digital broadband technology has enabled cable companies, wireless service providers, and other new players to compete vigorously for customers traditionally served by wireline companies like Verizon and MCI. The transaction will enable Verizon and MCI to use their largely complementary assets and experience to meet this new competitive challenge and provide customers with the array of attractively priced, diverse products and services they demand. For all of these reasons, this transaction will serve the public interest.

4 Because the communications industry is experiencing rapid and radical transformation, the public benefits from the proposed transaction will be enhanced if they are realized quickly. As explained in greater detail below, there is no reason to disapprove or to impose any conditions on the transaction. Accordingly, if the Commission concludes that the transaction requires approval pursuant to RCW Ch.80.12, Petitioners request that the Commission expeditiously issue an Order granting such approval.

II. THE PARTIES AND THEIR AFFILIATES

A. Verizon

5 Verizon is a corporation created and existing under the laws of the State of Delaware. Its principal office is located at 1095 Avenue of the Americas, New York, New York 10036. Verizon's telephone operating company subsidiaries provide telecommunications services on a

regulated and unregulated basis in 29 states, Puerto Rico, and the District of Columbia, serving 53 million access lines. Verizon itself provides no services and is not a regulated telephone company within Washington or elsewhere. Verizon's local telephone subsidiaries are subject to public utility regulation in the jurisdictions in which they operate, and are also subject to regulation by the Federal Communications Commission ("FCC") for the services they provide pursuant to federal tariffs and the Federal Communications Act of 1934. Verizon Northwest Inc., Bell Atlantic Communications Inc. d/b/a Verizon Long Distance, Verizon Avenue Corp. and Verizon Select Services Inc. are the Verizon subsidiaries certificated to provide service in Washington.

6 Verizon's domestic telecommunications services include the provision of exchange telecommunications services, encompassing switched local residential and business services, local private line, voice and data services, and Centrex services. Verizon also provides intraLATA and interLATA toll and interexchange services, as well as exchange access services, including switched access and special access services. Verizon provides these wireline services to consumers, small and enterprise businesses, and to other telecommunications carriers. Verizon's other domestic subsidiaries provide voice and data wireless services, information services including directory publishing, and electronic commerce. Verizon's international subsidiaries provide wireline and wireless communications operations and investments.

7 In 2004, Verizon had annual operating revenues of approximately \$71 billion. Stressing diversity and a commitment to the communities in which it operates, Verizon and its various subsidiaries have a highly diverse national workforce of 210,000 employees, including approximately 4,000 employees in Washington. Verizon has a strong balance sheet and investment-grade credit rating and is a stable, viable enterprise.

B. MCI

8 MCI, Inc. is a corporation created and existing under the laws of the State of Delaware, with its principal office located at 22001 Loudoun County Parkway, Ashburn, Virginia 20147.

MCI, Inc. provides no services and is not a regulated telephone company within Washington or elsewhere. However, MCI's subsidiaries provide telecommunications services on a regulated and unregulated basis throughout the United States and in several foreign countries. MCI's subsidiaries are subject to public utility regulation in the jurisdictions in which they operate, including Washington, and are also subject to regulation by the FCC for the interstate services they provide. The following MCI subsidiaries, MCImetro Access Transmission Services LLC, MCI WorldCom Communications, Inc., MCI WorldCom Network Services, Inc., Teleconnect Long Distance Services and Systems Co. d/b/a Telecom USA, and TTI National, Inc. (collectively, "the MCI subsidiaries") are certificated to provide telecommunications services in Washington.

9 MCI's subsidiaries provide services to business and government customers, including 75 federal government agencies. Among the enterprise services MCI provides through its subsidiaries are a comprehensive portfolio of local-to-global business data, Internet, and voice services, including IP network technology, Virtual Private Networking, SONET private line, frame relay, ATM, and a full range of dedicated, dial and value-added Internet services.

10 MCI's subsidiaries also provide consumer services, including interstate long distance services, intrastate toll services, competitive local exchange services, and other telecommunications services in Washington.

11 In 2004, MCI had annual operating revenues of approximately \$21 billion. MCI has over 42,500 employees nationally and internationally, and provides jobs for approximately 190 employees and contractors in Washington.

III. CORRESPONDENCE AND COMMUNICATIONS

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IV. THE TRANSACTION

- 13 The details of the transaction are set forth in the Agreement and Plan of Merger (the “Agreement”), a copy of which is attached as Exhibit A. The Agreement was modified by Amendments dated March 29, 2005 and May 1, 2005, copies of which are attached as Exhibits B and C, respectively. As described in the Agreement, MCI will merge into ELI Acquisition, LLC, a Delaware limited liability company, which is wholly-owned by Verizon and was created solely to facilitate the transaction. ELI Acquisition, LLC will be the surviving company in the merger, and Verizon will be its parent corporation after the merger. Verizon intends to rename the company “MCI, LLC.”
- 14 Under the Agreement as amended on May 1, MCI’s shareholders will receive: (i) Verizon common stock equal to the greater of 0.5743 shares or the quotient obtained by dividing \$20.40 by the Average Parent Stock Price (as defined in the Agreement); and (ii) a special dividend in the amount of \$5.60 per share, less the per share amount of any dividends declared by MCI between February 14, 2005 and the consummation of the transaction. (*See* May 1, 2005 Amendment ¶ 1(a).) These modifications to Section 1.08(a) of the Agreement guarantee MCI shareholders a total value of \$26.00 — \$5.60 in cash promptly upon their approval of the transaction, plus cash and Verizon stock worth \$20.40 — for each share of MCI stock they tender pursuant to the amended Agreement. (*See id.* ¶ 1(a)-(b).)
- 15 Until the transaction is completed, both corporations will continue to operate as independent entities. The transaction will not occur until all necessary governmental and regulatory approvals and reviews have been obtained or completed. This process includes a review by the Department of Justice, the FCC, and a number of state commissions. A number of

state public utility commissions have already approved the transaction or concluded that the merger requires no state action (Delaware, Georgia, Maryland, Missouri, Nebraska, Nevada, North Carolina and Oklahoma).

16 After the transaction is completed, MCI will be a subsidiary of Verizon. MCI's regulated subsidiaries in Washington will remain as subsidiaries of MCI, LLC and the authorizations and licenses currently held by MCI's regulated subsidiaries will continue to be held by the respective entities. The Agreement does not call for the merger of any assets, operations, lines, plants, franchises, or permits of MCI's regulated subsidiaries with the assets, operations, lines, plants, franchises, or permits of any Verizon entity. Similarly, the Agreement does not call for any change in the rates, terms, or conditions for the provision of any telecommunications services provided in Washington by Petitioners.

17 The transaction will not change the relationship that the MCI and Verizon subsidiaries have with the Commission and will not affect the regulatory authority of this Commission over any of Verizon's or MCI's regulated subsidiaries. Verizon's and MCI's state-regulated subsidiaries will continue to meet all of their obligations and commitments under the Commission's rules, regulations, and orders. Therefore, the transaction will not interfere with this Commission's jurisdiction or impede the satisfaction of its public policy goals.

V. THE PARENT COMPANY STOCK TRANSACTION AT ISSUE HERE DOES NOT FALL WITHIN THE COMMISSION'S STATUTORY JURISDICTION

A. The Commission has no specific statutory jurisdiction over this merger and its general statutory powers do not authorize it to act.

18 The Commission's regulatory authority over certain business transactions involving telecommunications companies is limited to that authority expressly authorized by the statute. *See Washington Indep. Tel. Ass'n v. TRACER*, 75 Wn. App. 356, 363, 880 P.2d 50 (1994). Specifically, the Legislature's limited grant of authority over mergers and related actions affecting telecommunications companies has been held to preclude exercise of the Commission's general jurisdiction to regulate such transactions. *See Cole v. Washington Utils. and Transp.*

Comm'n, 79 Wn. 2d 302, 306, 45 P.2d 71 (1971). Accordingly, the Commission cannot base its review of the parent company transaction at issue here on its general regulatory authority under RCW 80.01.040(3) absent express authority “provided by the public service laws.” *Washington Indep. Tel. Ass'n*, 75 Wn. App. at 368.

19 No provision of the RCW Title 80 provides such authority since that title is only applicable to public service companies. As holding companies, neither MCI nor Verizon is a public service company subject to the Commission’s jurisdiction under RCW 80.12.020 or 80.12.040. 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.” RCW 80.12.020. Similarly, Commission authorization is necessary under RCW 80.12.040 before one “public service company” can “directly or indirectly, purchase, acquire, or become the owner of any of the franchises, properties, facilities, capital stocks or bonds of a public service company.” RCW 80.12.040.

20 These statutory authorities do not give the Commission jurisdiction over a transaction involving the merger of the corporate parents of public service companies where, as here, the parent companies: (i) merely own subsidiaries that provide regulated services in the State; and (ii) do not themselves provide such services or otherwise hold themselves out as providing services to the public.

21 RCW 80.04.010 defines “public service company” as “every gas company, electrical company, telecommunications company, and water company” and defines a telecommunications company as one “owning, operating or managing any facilities used to provide telecommunications for hire, sale or resale to the general public within this state.” Because neither Verizon nor MCI meet the definition of a “telecommunications company” they fall outside the definition of “public service company” in RCW 80.04.010. Furthermore, jurisdiction applies only to companies that hold themselves out as providing services to the public at large.

See Inland Empire Rural Electrification, Inc. v. Dep't of Pub. Serv., 199 Wash. 527, 537, 92 P.2d 258 (1939) (holding that utility cooperative was not a “public service company” for purposes of the statute); *W. Valley Land Co., Inc. v. Knob Hill Water Ass'n*, 107 Wn.2d 359, 365, 729 P.2d 42 (1986) (same). The definition of “public service company” is further elaborated in RCW 80.12.010 (the Transfer of Property statute) as “every company now or hereafter engaged in business in this state as a public utility and subject to regulation as to rates and service by the utilities and transportation commission under the provisions of this title.”

22 Under these precedents and statutory provisions, the Commission’s jurisdiction to regulate the merger and other activities of “public service companies” under RCW 80.12.020 and 80.12.040 does not apply here. RCW 80.12.020 does not confer jurisdiction over the Verizon/MCI transaction because it does not involve the sale, lease, assignment, or other disposition or merger or consolidation of any franchises, properties or facilities of any Washington public service company. The Merger Agreement involves a parent company stock transaction that involves three entities — MCI, Verizon, and ELI Acquisition, Inc. (the Verizon sub solely created to facilitate the transaction) — that do not satisfy the definition of “public service companies” under Washington law.

23 Verizon and MCI are holding companies that do not themselves provide, or hold themselves out as providing, any regulated services to the public in Washington. Moreover, the stock transaction between these parties will not affect Verizon’s subsidiaries in Washington and will simply result in MCI’s Washington subsidiaries becoming downstream subsidiaries of Verizon. The transaction will not result in the consolidation or elimination of any facilities or other operations by the Petitioners’ subsidiaries in the State. For all of these reasons, the transaction will not result in any “public service company leas[ing], assign[ing], or otherwise dispos[ing] or merg[ing] any part of its franchises, properties or facilities.” RCW 80.12.020. Accordingly, RCW 80.12.020 does not confer approval jurisdiction over the transaction.

24 The same is true of RCW 80.12.040. Because neither the Petitioners nor ELI Acquisition, LLC satisfy the definition of “public service companies,” no public service company is “purchasing, acquiring, or becoming the owner of any of the capital stocks or bonds of any other public service company” under RCW 80.12.040. As a result, Section 80.12.040 also does not confer approval jurisdiction over this transaction.

25 Nor do the Commission’s prior decisions allow it to assert approval jurisdiction over holding company transactions. *See, e.g., In the Matter of the Application of GTE Corp. and Bell Atlantic Corp.*, Docket Nos. UT-981367, UT-990672 and UT-991164, Fourth Supplemental Order (Dec. 1999) (“GTE-Bell Atlantic Order”); *In the Matter of the Application of US West Communications, Inc. and QWEST Corporation*, Docket UT-991358, 9th Supplemental Order (June 2000). These decisions are not applicable because they misconstrue the nature of the statutory provisions governing merger reviews under RCW Ch. 80.12.

26 The Commission’s exercise of regulatory jurisdiction in those prior cases was predicated in large part on the Commission’s conclusion that “the public interest is at stake when a public service company *disposes* of part or all of itself.” *GTE-Bell Atlantic Order* at 15 (emphasis added). But the decisions do not enumerate facts explaining how such a “disposition” occurred, and the mere assumption that a parent company stock transaction “disposes” of “all or part of a public service company” for purposes of approval jurisdiction ignores the distinction between a parent company and its subsidiary without satisfying the requirements of Washington law for disregarding this important difference in corporate form, *see, e.g., Rogerson Hiller Corp. v. Port of Port Angeles*, 96 Wn. App. 918, 924; 982 P.2d 131 (1999). Finally, these transactions did not deal with competitively classified companies.

B. Commission Approval for any Transfer of Property Involving MCI is Either precluded by Statute or Waived.

27 Three significant roadblocks preclude the exercise of Commission jurisdiction over any transfer of property involving MCI or its subsidiaries. First, RCW 80.12.05 states that the RCW

Ch. 80.12 does not apply to “companies serving less than 2% of the access lines in the state of Washington.” MCI itself serves no customers in Washington and its subsidiaries providing local exchange service serve less than 2% of Washington access lines.²

28 Second, under RCW 80.36.320, all MCI Washington subsidiaries have been classified as “competitive.” As a result, the MCI subsidiaries are not “subject to regulation as to rates” – and therefore do not fall within the definition of a “public service company” under RCW 80.12.010.

29 Third, the Commission has long waived application of the Transfers of Property statute to competitive companies, including the subsidiaries of MCI . Such waiver has been first through company-specific orders and later by generally applicable rule. *See, e.g., In re MCI Telecomm. Corp.*, Docket No. U-86-101, Orders Granting Waivers, 78 P.U.R. 585, 87 WL 534153, at *13 (W.U.T.C. 1986); WAC 480-121-063. As a result, even if the Commission had jurisdiction to review this transaction, which it does not, it has waived such authority by its rules.

30 In other transactions involving competitive companies in Washington, the Commission has never pursued a formal docket to completion. For instance, Docket No. UT-020279, opened on the merger of Comcast and AT&T, was closed with the following note from the Commission’s Staff:

Close – The company is competitively classified and the Commission doesn’t have jurisdiction over the transfer of control. The transaction involves the transfer of control/merger of the parties’ parent companies. The transaction will have no immediate impact on their customers. AT&T Broadband Phone of Washington and Comcast Business Communications will continue to operate under their respective names, with no changes in current rates, terms and conditions, per Kristen Russell.

31 Similarly, where Qwest Communications Corporation, an affiliate of a public service company, acquired competitive long distance firms, the Commission refused to act, citing the

² See MCImetro Access Transmission Services, LLC Form 477 filed with the Federal Communications Commission identifying the number of local access lines served in the State of Washington.

same rationale as was expressed in the Comcast/AT&T case. *See* LCI/PHOENIX/USLD/QWEST, Docket UT-010956 (2001).

VI. IF APPROVAL OF THIS APPLICATION IS REQUIRED, IT SHOULD BE GRANTED BECAUSE THE TRANSACTION IS IN THE PUBLIC INTEREST

32 If the Commission concludes that it has the authority to review and approve the Petitioners' proposed transaction, despite the statutory limits discussed above, approval should be granted expeditiously. This would be consistent with WAC 480-07-930(5)(d) that establishes a short turn-around time for dealing with Petitions for a Declaratory Order. The standard for approval of the proposed transaction under WAC 480-143-170 is whether the transaction is consistent with the public interest:

If, upon examination of an application and accompanying exhibits, or upon a hearing concerning the same, the commission finds that the proposed transaction is not consistent with the public interest, it shall deny the application.

WAC 480-143-170.

33 The Commission has emphasized that, to satisfy this standard, the transaction need not specifically benefit the public; it must simply cause no harm. As this Commission explained:

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.

34 *In the Matter of the Application of PacifiCorp and Scottish Power*, Docket No. UE-981627, Third Supplemental Order on Prehearing Conference at 2 (Apr. 2, 1999). The proposed Verizon/MCI transaction clearly satisfies this standard.

A. Economic and Public Interest Benefits

35 The transaction between Verizon and MCI will allow each to benefit from the strength of the other using complementary competencies and networks. It will thus ensure that key domestic communications networks are robust and technologically advanced, thereby enhancing national economic viability and security. In addition the transaction will create a global industry leader

by strengthening simultaneously America's premier telecommunications network builder and its leading service provider. Utilizing MCI's powerful networking assets, the transaction will give Verizon greater ability to lead the communications industry's revitalization through new investment in world-class networks and services.

36 The transaction between Verizon and MCI will create a far stronger company with the ability to thrive and grow in the intensely competitive communications industry, both nationally and internationally, thus providing a higher degree of stability and certainty for employees and their dependents than could be provided by either company standing alone. Further, the new Verizon and its subsidiary MCI will be stronger as a result of this merger, and thus more likely to maintain higher levels of overall employment than either company would have been able to do on its own.

37 Verizon has a long history of corporate responsibility and good citizenship in the communities that it serves and it will continue that tradition after this transaction is concluded, including in Washington. MCI has a practice of providing good jobs and cutting-edge network technology and this transaction will only enhance that capability. Thus, the communities served by the combined company will benefit from this transaction.

38 Moreover, the transaction will have no adverse impact on the rates or service quality of any regulated Washington telephone utility or telephone corporation and is in the public interest. As discussed below, the transaction will simply enhance the abilities that both Verizon and MCI now possess as stand-alone companies to provide a comprehensive suite of services to consumers, businesses, and government customers. The merger will bring together two companies with complementary strengths in a way that will benefit the existing customers of each company. It will enhance the companies' ability to compete for and serve large businesses and government customers in Washington by improving the speed of delivery for competitively-priced wireline services, broadband services, wireless services, and IP-based services to that vital sector of the U.S. economy.

39 This transaction is the logical next step in the continuing evolution of the communications industry. The availability of wireline and wireless packages of “any time, any distance” minutes of use, Internet communication (including instant messaging), text messaging, and voice over Internet protocol (“VoIP”) services has blurred the historical lines between local and long distance service. Today, customers rely on an array of communications platforms that include not only traditional and broadband wireline services (providing voice, DSL, Internet connectivity, and VoIP), but other platforms, such as wireless mobile (including cell phones, wireless data, wi-fi, wi-max, and PDAs) and cable platforms (providing voice, video, and data services). Wireline voice traffic no longer comprises a majority of the minutes used on the public switched network, and such traffic is declining as a percentage of overall communications traffic. In light of these changes, a company providing only traditional wireline POTS service will fast become obsolete. Consequently, the industry is rapidly restructuring itself so as to provide a full array of services using new and emerging technologies in the most economically-efficient way.

40 This industry restructuring will continue irrespective of Verizon’s proposed transaction with MCI. MCI has recognized that — as a result of wireless competition, intense long distance competition from other carriers, restrictions on telemarketing, and competitors exploiting new, unregulated technologies and applications that make possible such services as messaging on the go, high speed data connections, cable telephone, VoIP, e-mail, and instant messaging — its consumer business is in decline, and the company has refocused its strategy accordingly. This transaction positions a strong new competitor to fully leverage the industry’s evolution toward more converged products and services to the benefit of all customers.

B. Benefits to Customers

1. Enterprise and Government Customers

41 As a result of this transaction, the combined company will be able to provide better service to enterprise and government customers than either company could provide alone. For

example, Verizon will be able to carry traffic over MCI's Internet backbone, improving efficiency and enhancing the ability to manage complex network assets and applications. Verizon will also be able to utilize MCI's ISP connectivity services (such as e-mail, web hosting, DNS services, and others), again enhancing Verizon's capabilities in a market in which it is a small provider at present.

42 The transaction will create a new competitor that is capable of providing enterprise customers across the nation with a wider array of services, including wireless services, than MCI is currently providing. In the current environment, customers demand a comprehensive solution to their communications needs; MCI's limited ability to offer a wireless product set will be solved by this transaction.

43 Enterprise customers are served by a host of competitors, including wireline ILECs, IXCs, global network service providers, as well as equipment providers, CLECs/DLECs, and systems integrators and IP applications providers. In addition to AT&T and Qwest, some of the global network services providers are: BT (previously British Telecom), which has entered into an agreement to acquire Infonet Services Corp., a communications company that specializes in services to multinational corporations; Sprint (which is merging with wireless provider Nextel); and NTT Corporation (parent of Nippon Telephone and Telegraph), which through its various subsidiaries (such as NTT DoCoMo) provides broadband and wireless communications as well as IT services primarily in Asia but also to other global markets. Equipment providers serving enterprise customers include Cisco, Avaya, Nortel, Lucent, NEC, Alcatel, Fujitsu, Polycom, 3Com, Juniper Networks, Enterasys Networks, Foundry Networks, and Extreme Networks. CLECs and DLECs providing enterprise services include Time Warner, Cox Communications, PAETEC Communications, Equant, XO Communications, Wiltel, Infonet, McLeodUSA, Corvis/Broadwing Communications, ITC Deltacom, US LEC, ICG Communications, and FiberNet Telecom Group. Among the systems integrators and IP application providers serving enterprise customers are IBM, Hewlett-Packard, EDS, Accenture, Unisys, Cap Gemini, Harris

Corporation, EMC, Brocade, Network Appliance, and Savvis Communications. With such a vast array of providers, competition for enterprise customers has long been considered intense and will remain intense after Verizon acquires MCI.

44 Given Verizon's financial strength, this transaction will also ensure that MCI's enterprise customers will continue to be served by a strong provider of telecommunications services that can meet the customers' needs nationally and internationally.³ Verizon's enterprise line of business remains regionally focused and currently does not even address the upper ranks of the national enterprise market. Through this transaction, Verizon will become a strong competitor that will be able to challenge the larger incumbents that now serve enterprise customers. Verizon would require years to develop the capabilities to compete effectively for such customers without this transaction. Verizon must reach these enterprise customers expeditiously in light of the industry convergence and the growing intermodal competition among wireline and wireless and cable providers. Moreover, the bundled wireline, broadband, and wireless offering to MCI's and Verizon's current enterprise customers is an added benefit that both companies' customers will receive.

45 Verizon and MCI have complementary assets to devote to serving the largest government agencies. The transaction brings together Verizon's local and wireless networks and MCI's national, international, and Internet backbone networks. Consequently, Verizon will be able to provide nationwide service to customers it currently serves on a regional basis only. The transaction will also bring together the excellent sales forces of both companies. Verizon's local and regional presence, coupled with MCI's innovative enterprise and government sales expertise, will allow the merged company to provide government customers — as well as enterprise

³ Financial information about Verizon and MCI can be found in each company's most recent Form 10-K, attached hereto as Exhibits D and E.

customers — with a suite of products and services that addresses the full range of these customers' needs.

46 The transaction will also result in a more efficient operating structure, allowing for faster and more robust network deployment. It will strengthen MCI's national and international network, which is a critical component of government communications systems, including those used by national defense and homeland security.

2. *Consumers and Small Business Customers*

47 The transaction continues Verizon's own transformation into a national broadband company and will greatly enhance its advanced broadband and wireless networks. Ultimately, MCI's Internet backbone network, together with Verizon's ongoing deployment of fiber directly to customers, will create a platform that can support a broad array of multimedia communications services and applications for all customers.

48 American consumers and small businesses will benefit from the enhanced deployment of wireline and wireless broadband services that this transaction will promote. This transaction will ensure that Internet users in the United States will continue to have a robust, state-of-the-art backbone platform for their traffic; and the transaction will allow for higher quality of service and a greater investment in that backbone than MCI could achieve as a stand-alone company going forward. After the transaction, consumers will continue to have a choice of competitive communications services, including wireline competitors, cable telephony providers, wireless services, and VoIP providers operating throughout the state. Similarly, small business customers will continue to be served by a host of telecommunications services providers including, in particular, cable companies that have recently stepped up their efforts to serve this segment of the business market.

C. The Transaction Will Not Harm Competition

49 There will be no anti-competitive effect of this transaction in Washington or nationally because each company provides different market strengths. As discussed above, Verizon does

not currently address the upper end of the enterprise market with a wide array of services, nor has it been equipped to address customers with nationwide interests in that market. MCI, on the other hand, is an acknowledged leader in the market for enterprise telecommunications services. For its part, Verizon is a recognized leader in services to consumers and small businesses and is committed to building out a broadband network to improve those services. Competition, including increasingly important intermodal competition, will continue unimpaired.

50 The new competition of the 21st century is between and among those carriers with a comprehensive network — such as cable and wireline. Thus, MCI and Verizon will each benefit from the strengths of the other, to the long-term benefit of the enterprises, businesses, government entities, and consumers in this State.

VII. CONCLUSION

51 For the foregoing reasons, Verizon and MCI respectfully request that the Commission issue promptly a declaratory order that no Commission action is required because the Commission has no jurisdiction under RCW Ch. 80.12. to investigate the proposed transaction between Verizon and MCI. If, however, the Commission concludes that it has statutory approval jurisdiction over this transaction, the Petitioners respectfully request that the Commission expeditiously approve the transaction and grant any other relief necessary to allow for such prompt approval.

Respectfully submitted, May _____, 2005

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LIST OF EXHIBITS

<u>Exhibit</u>	<u>Description</u>
A	Agreement and Plan of Merger
B	March 29, 2005 Amendment
C	May 1, 2005 Amendment
D	Verizon Form 10-K
E	MCI Form 10-K

CERTIFICATION

I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct, to the best of my belief.”

(Date and Place)

For MCI, Inc.

CERTIFICATION

I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct, to the best of my belief.”

(Date and Place)

For Verizon Communications, Inc.