



Public Service Commission

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DATE: NOVEMBER 5, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (WILLIAMS) *TEW*
DIVISION OF LEGAL SERVICES (KEATING, PENA) *JK KMP MCB*

RE: DOCKET NO. 981252-TP - JOINT PETITION FOR APPROVAL OF MERGER OF GTE CORPORATION (HOLDER OF LEC CERT. 31 AND PATS CERT. 4962 IN THE NAME GTE FLORIDA INCORPORATED, ALEC CERT. 4819 AND IXC CERT. 4080 IN THE NAME GTE TELECOMMUNICATIONS SERVICES CORPORATION) AND BELL ATLANTIC CORPORATION (HOLDER OF IXC CERT. 4714 IN THE NAME NYNEX LONG DISTANCE COMPANY D/B/A BELL ATLANTIC LONG DISTANCE AND IXC CERT. 4438 IN THE NAME BELL ATLANTIC.

AGENDA: 11/17/98 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE.

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMU\WP\981252.RCM

CASE BACKGROUND

On July 28, 1998, GTE Corporation (GTE) and Bell Atlantic Corporation (Bell Atlantic) announced their agreement to combine the two corporations in a merger of equals. Accordingly on October 1, 1998, GTE petitioned the Commission for approval of this merger.

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. The companies assert that the merger will

create a fifth new competitor with the nationwide presence and financial resources necessary to compete head-to-head in the provision of the full array of telecommunications services around the country. GTE's and Bell Atlantic's separate subsidiaries in Florida will now be commonly owned. The companies state that there will be no anti-competitive effects in Florida.

At the completion of the merger, GTE's and Bell Atlantic's regulated subsidiaries in Florida will remain as subsidiaries of GTE and Bell Atlantic respectively. Therefore, all companies will continue to operate under their existing certificates and tariffs on file with this Commission.

STAFF RECOMMENDATION

ISSUE 1: Should the joint petition for approval of the merger of GTE CORPORATION (holder of LEC CERT. 31 and Pats Cert. 4962 in the name GTE Florida Incorporated; ALEC Cert. 4819 and IXC Cert. 4080 in the name GTE Telecommunications Services Corporation) and BELL ATANTIC CORPORATION (holder of IXC Cert. 4714 in the name NYNEX Long Distance Company d/b/a Bell Atlantic Long Distance and IXC Cert. 4438 in the name Bell Atantic Corporation) be approved?

RECOMMENDATION: Yes.

STAFF ANALYSIS: As discussed in the background, this transaction is between the parent companies. GTE Corporation (GTE) is a holding company and is not a regulated telecommunications company in Florida. It does have three subsidiaries that are certificated to perform telecommunications services in Florida. They are:

1. **GTE Florida Incorporated (GTEFL)** holds Florida Public Service Commission Local Exchange Certificate No. 31 and Pay Telephone Certificate No. 4962 and provides local exchange telephone service to more than 2.2 million switched access lines in Florida.
2. **GTE Communications Corporation (GTECC)** holds Florida Public Service Commission Alternative Local Exchange

Certificate No. 4819 and Interexchange Telecommunications Service Certificate No. 4048.

3. **GTE Telecommunication Services Incorporated (GTE TSI)** holds Interexchange Telecommunications Service Certificate No. 4079.

Bell Atlantic Corporation (Bell Atlantic) is also a holding company and is not a regulated telecommunications company in Florida. It does have two subsidiaries that are certificated to perform telecommunications services in Florida. They are:

1. **NYNEX Long Distance Company d/b/a Bell Atlantic Communications. (BAC)** holds Interexchange Telecommunications Service Certificate No. 4714.

2. **Bell Atlantic Communications, Inc.** holds Interexchange Telecommunications Service Certificate No. 4438.

At the completion of the merger, GTE's and Bell Atlantic's regulated subsidiaries in Florida will remain as subsidiaries of GTE and Bell Atlantic respectively. Therefore, all companies will continue to operate under their existing certificates and tariffs on file with this Commission.

The companies have stated that the merged company will be able to draw upon the abilities and expertise of personnel from both companies adopting each company's practices to serve the public. In the West, Midwest, and South service is by GTE and in the Northeast and Mid-Atlantic service is by Bell Atlantic. They further assert that their combined ownership will not significantly affect competition for long-distance services.

Staff has reviewed the application and believes that the request for merger is in the public interest in accordance with Section 364.33, Florida Statutes, and recommends that the Commission approve the request.

DOCKET NO. 981252-1P
DATE: NOVEMBER 5, 1998

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, if no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance date of the order.

STAFF ANALYSIS: This docket should be closed if no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance date of the order.