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T-03258A-05-0279
T-03475A-05-0279
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T-03394A-05-0279
T-03291A-05-0279

September 12, 2005

Re: Proposed MCI/Verizon Merger; Docket Nos. T-01846B-05-0279 et al

Dear Parties to the Docket:

After reviewing the testimony in this matter I have several residual questions that I would like the Parties to answer during the course of the hearing slated to begin on Wednesday.

First, Staff has concluded that Verizon and MCI have failed to demonstrate that the proposed Merger holds any tangible benefits for residential consumers.[1] The Companies do not appear to have addressed this issue in their rebuttal testimony, except to say that mass market customers "may benefit from new Internet access services developed by the combined company and from more efficiently integrated long distance services."[2] I would like the Companies to focus on this deficiency, and present the Commission with testimony that shows there will be specific benefits for Arizona residential consumers. If there will not be any such benefits, please tell the Commission why approval of the Merger is still in the public interest.

Second, Staff highlights the Companies' claims that the Merger would yield lower costs for consumers.[3] According to Staff, and my own review of the testimony, the Companies have failed to back this claim up with specifics. I would like the Companies to demonstrate precisely how – and how much – the Merger would benefit consumers through lower costs. In his rebuttal testimony, Mr. McCallion references cost savings figures that were derived by Verizon in the course of its due diligence.[4] I would like to know whether these due diligence reports would be available to the Commission prior to a vote.

Third, the Companies have stated that the Merger will result in a $2 billion investment in MCI's systems and network, but the Company has not stated whether any of this promised investment will occur in Arizona or whether it will benefit the state's residents in any way. I would like the Companies to delineate which portion of this investment will occur in Arizona or would be likely to occur here.

Fourth, Staff has asked the Companies to inform the Commission of the number of employees whose jobs would be eliminated if the Merger were consummated.[5] Mr. McCallion's rebuttal

[1] See Direct testimony of Elijah Abineh, Page 29, line 19.
[2] See Rebuttal testimony of Timothy McCallion at Page 6, line 15.
[3] Id at Page 16, line 19.
[4] McCallion at Page 5, line 23.
[5] Id at Page 10, line 16.

testimony states the Companies have not yet determined where layoffs might occur. I would like this issue more thoroughly explored in the hearing. Specifically, I would like the Companies to detail how many jobs they currently have in Arizona within the sub-categories identified as likely targets for reductions in force—network engineering, IT, legal, sales and human resources.

Finally, I would like the Companies – prior to a vote by the ACC on this proposed Merger – to detail for the Commission their respective positions on federal preemption of states in the arena of consumer protection. Staff has proposed as a condition to approval that the newly merged company provide the Commission with any *future* filings made at the FCC on the topic of preemption.[6] While this would appear to be a helpful provision, I believe that it may not go far enough. Rather, I would like the question of Verizon's position on preemption to be answered on the record in this proceeding.[7]

Therefore, I would like the witnesses for the companies to come to the hearing on Wednesday prepared to answer this critical question. Additionally, I would like assurance that these answers have been approved at the highest levels of the companies, including Mr. Seidenberg.

Thank you for your attention to these questions.

Sincerely,

Kris Mayes
Commissioner

Cc: Chairman Jeff Hatch-Miller
Commissioner Marc Spitzer
Commissioner William Mundell
Commissioner Mike Gleason
Ernest Johnson
Heather Murphy

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[6] Id. At Page 19, line 9.

[7] On June 29, 2005, Commissioner Spitzer wrote to Verizon's Ivan Seidenberg, stating, "Your intention to pre-empt state regulation of telecommunications is of concern to this state regulator." Mr. Seidenberg's response to Commissioner Spitzer failed to ease my concerns about the Company's publicly stated position on preemption.