

FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center • 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

December 5, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (KEATING) *WCK MCB RFT*  
DIVISION OF COMMUNICATIONS (WILLIAMS) *W*

RE: DOCKET NO. 961340-TI; PETITION FOR EXPEDITED APPROVAL OF  
INDIRECT CHANGE IN CONTROL OF NYNEX LONG DISTANCE  
COMPANY, HOLDER OF INTEREXCHANGE TELECOMMUNICATIONS  
CERTIFICATE NO. 4714, THROUGH PROPOSED MERGER OF BELL  
ATLANTIC CORPORATION AND NYNEX CORPORATION

AGENDA: 12/17/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION -  
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\LEG\WP\961340.RCM

CASE BACKGROUND

On November 8, 1996, NYNEX Long Distance Company (NLDC) petitioned the Commission for approval of an indirect change in control. This change in control would occur as the result of the proposed merger of Bell Atlantic Corporation (Bell Atlantic) and NYNEX Corporation (NYNEX), the parent corporation of NLDC. A copy of NLDC's Petition is attached hereto as Attachment A.

DISCUSSION OF ISSUES

ISSUE 1: Should NLDC's Petition for approval of the indirect change in control of NLDC, resulting from the proposed merger of Bell Atlantic and NYNEX, be approved by the Commission?

RECOMMENDATION: Yes.

STAFF ANALYSIS: On September 4, 1996, NLDC was granted Certificate of Public Convenience and Necessity No. 4714, by Order No. PSC-96-1122-FOF-TI. Because NLDC is a wholly-owned subsidiary of NYNEX,

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the merger of Bell Atlantic and NYNEX would result in a change in control of NLDC. Section 364.33, Florida Statutes, provides that Commission approval is required prior to an entity acquiring ownership or control of a telecommunications company operating a telecommunications facility in Florida.

The proposed merger, expected to be completed by early 1997, would result in NYNEX becoming a wholly-owned subsidiary of Bell Atlantic, and NLDC also becoming a subsidiary of Bell Atlantic. NLDC's Petition states that, after the merger, NLDC would continue to provide interexchange service in Florida in its own name pursuant to its interexchange certificate and its current tariff on file with the Commission. The change in control would therefore be transparent to customers.

NLDC's Petition states that the proposed merger would provide NLDC greater technical, managerial, marketing, and financial resources. These resources would allow NLDC to better compete and provide its customers with faster innovation and a modernized network. In summary, NLDC states that the proposed merger would improve NLDC's ability to provide quality service at reasonable prices in a competitive environment and would therefore be in the public interest.

Staff therefore recommends that the Commission approve NLDC's Petition.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** This docket should be closed if no person whose interests are substantially affected by the proposed action files a protest within the 21 day protest period.

**STAFF ANALYSIS:** The docket should be closed at the end of the PAA protest period if no person whose interests are substantially affected by the proposed action files a protest within the 21 day protest period.

*Legal*

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for Expedited )  
Approval of Indirect )  
Change In Control of NYNEX )  
Long Distance Company )

Docket No. 961340-TI  
Filed: November 8, 1996

**PETITION FOR EXPEDITED APPROVAL OF INDIRECT  
CHANGE IN CONTROL OF NYNEX LONG DISTANCE COMPANY**

NYNEX Long Distance Company ("NLDC"), by and through undersigned counsel, pursuant to Section 364.33, Florida Statutes, hereby respectfully petitions the Florida Public Service Commission (the "Commission") to approve, on an expedited basis, the indirect change in control of NLDC that will occur as the result of the proposed merger of Bell Atlantic Corporation ("Bell Atlantic") and NYNEX Corporation ("NYNEX"), the parent corporation of NLDC. The proposed merger is in the public interest and is anticipated to be consummated in early 1997. After the proposed merger, NLDC will continue to provide the same interexchange services in Florida in its own name at the same rates that are currently on file with the Commission. Thus, for the reasons below, the Commission should address and grant NLDC's Petition on an expedited basis.

**INTRODUCTION**

1. The name and address of the Petitioner is:

NYNEX Long Distance Company  
200 Park Avenue, 17th Floor  
New York, NY 10166

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2. All pleadings and correspondence should be directed to:

D. Bruce May  
Karen D. Walker  
HOLLAND & KNIGHT  
P.O. Drawer 810  
Tallahassee, FL 32302

John Cuddy, Esquire  
NYNEX Long Distance Company  
200 Park Avenue, 17th Floor  
New York, NY 10166

3. NLDC is a certificated interexchange company subject to Commission regulation pursuant to Chapter 364, Florida Statutes. Section 364.33, Florida Statutes, provides that Commission approval is required prior to an entity acquiring ownership or control of a telecommunications company operating a telecommunications facility in Florida.

4. The Commission's decision in this proceeding will affect NLDC's substantial interests because Section 364.33, Florida Statutes, requires prior Commission approval of the indirect change in control of NLDC. NLDC is not aware of any disputed issues of fact.

#### BACKGROUND

5. The Commission granted NLDC Certificate of Public Necessity and Convenience No. 4714 by notice of proposed agency action issued September 4, 1996. In re: Application for Certificate to Provide Interexchange Telecommunications Services, Docket No. 960697-TI, Order No. PSC-96-1122-FOF-TI (Sept. 4, 1996). NLDC's certification became effective September 26, 1996. NLDC is currently

providing interexchange telecommunications service in Florida pursuant to its tariff on file with the Commission.

6. NLDC is a wholly-owned subsidiary of NYNEX. NYNEX is a Delaware corporation with its principal place of business at 1095 Avenue of the Americas, New York, New York 10036. NYNEX is a telecommunications company that provides a full range of services in the northeastern United States and in selected markets around the world. NYNEX does not directly provide telecommunications services in Florida or elsewhere. Instead, NYNEX provides telecommunications services through its various subsidiaries, such as NLDC.

7. Bell Atlantic is a Delaware corporation with its principal place of business at 1717 Arch Street, Philadelphia, Pennsylvania 19103. Bell Atlantic is a diversified telecommunications company that provides, among other services, voice and data transport calling services, network access, directory publishing, and public telephone services to customers in the mid-Atlantic region. Like NYNEX, Bell Atlantic does not provide telecommunications services in Florida.<sup>1</sup>

#### **THE PROPOSED MERGER**

##### **A. Description of the Proposed Merger.**

8. The NYNEX and Bell Atlantic Boards of Directors have unanimously approved an agreement through which Bell Atlantic will create a new wholly-owned

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<sup>1</sup> Bell Atlantic Communications, Inc., a wholly-owned subsidiary of Bell Atlantic, provides interexchange services in Florida pursuant to Certificate of Public Necessity and Convenience No. 4438. See In re: Application for Certificates to Provide Interexchange Telecommunications Services, 96 F.P.S.C. 5:113, Docket No. 960179-TI, Order No. PSC-96-0616-FOF-TI (May 7, 1996).

subsidiary of Bell Atlantic that will merge with and into NYNEX. NYNEX will survive the merger as a wholly-owned subsidiary of Bell Atlantic. The transaction will be consummated in accordance with all applicable federal and state laws and regulations.<sup>2</sup>

9. The general logistics of the proposed merger are as follows. NYNEX shareholders will receive Bell Atlantic common stock in exchange for their NYNEX common stock. In addition, outstanding options to purchase shares of NYNEX common stock will be converted, such that holders of NYNEX options will receive options to purchase shares of Bell Atlantic common stock. NYNEX and Bell Atlantic will share control of the new entity (the "Post Merger Corporation") with eleven members of the twenty-two member Board of Directors representing NYNEX and the remaining eleven members representing Bell Atlantic. The Post Merger Corporation's headquarters will be located in New York, New York. It will be the second largest telecommunications corporation in the nation with expected total assets of \$51.3 billion.

**B. Impact of the Proposed Merger on NLDC.**

10. As a result of the proposed merger, NYNEX, which is the parent corporation of NLDC, will become a wholly-owned subsidiary of Bell Atlantic. NLDC

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<sup>2</sup> Pursuant to the Hart-Scott-Rodino Act, 15 U.S.C. § 18a, and Section 7 of the Clayton Act, 15 U.S.C. § 18, the proposed merger is subject to scrutiny by the Department of Justice to determine whether it "may tend substantially to lessen competition." Petitioner believes the Hart-Scott-Rodino review process is nearing completion. NYNEX and Bell Atlantic are confident that the proposed merger complies fully with the antitrust laws.

will become a subsidiary of Bell Atlantic. The proposed merger, therefore, will not affect the Commission's regulation of NLDC and will not cause any inconvenience or confusion to NLDC's customers. After the merger, NLDC will continue to provide interexchange service in Florida in its own name pursuant to its interexchange certificate and its tariff currently on file with the Commission.

**C. The Proposed Merger is in the Public Interest.**

11. The proposed merger is in the public interest and will benefit not only NYNEX and Bell Atlantic, but also NLDC, its customers, and the state, local and regional economies.

12. NYNEX and Bell Atlantic operating companies are committed to providing high quality telecommunications service in their respective operating territories. The combination of the two corporations will result in the adoption of the best practices of each company. After the proposed merger, NYNEX, as a subsidiary of Bell Atlantic, will have even greater technical and managerial capacities to own NLDC. Therefore, the proposed merger will enhance NLDC's position to provide the highest quality service to its customers.

13. Additionally, the proposed merger will result in a corporation with a stronger financial position than NYNEX alone. The Post Merger Corporation will be able to support the appropriate infrastructure investments needed to modernize all aspects of the network. However, NLDC does not anticipate becoming a facility based carrier in Florida at this time. The proposed merger will also more broadly spread the

inherent risks in developing and deploying new technologies in the fast-paced, converging communications industry.

14. The Post Merger Corporation, through its operating companies, will be one of the premier communications companies in the world with the financial, technical, and marketing resources necessary to provide a full range of telecommunications services to its customers at the best possible combination of high value and low price. As a result of the merger, NLDC will be positioned to better serve its customers through lower costs, faster innovation, and a more modern network. Accordingly, NLDC will be better able to compete in the new world of communications created by changing technology, a changing market, and changing public policy.

#### **REQUEST FOR EXPEDITED CONSIDERATION**

15. The proposed merger is expected to be completed in early 1997. A literal interpretation of Section 364.33, Florida Statutes, requires Commission approval prior to merger. Accordingly, NLDC respectfully requests that the Commission address this Petition as part of its Consent Agenda at its November 26, 1996 Agenda Conference.<sup>3</sup>

#### **CONCLUSION**

16. As a result of the proposed merger, the parent company of NLDC will be owned and controlled by a larger, more efficient holding company, with increased financial strength. Thus, the proposed merger will improve NLDC's ability to provide quality service at reasonable prices in a competitive environment. The proposed

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<sup>3</sup> The Commission has consistently approved similar requests as part of its Consent Agenda. See Dockets 960827-TI, 960906-TI, and 960896-TI.



merger is in the public interest and the indirect change of control of NLDC should be approved expeditiously.

WHEREFORE, NLDC respectfully requests that the Commission:

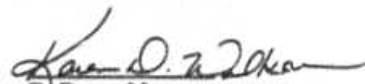
(a) address NLDC's Petition on an expedited basis at its November 26, 1996

Agenda Conference;

(b) approve the indirect change of control of NLDC's Certificate of Public Necessity and Convenience No. 4714 resulting from the proposed merger of Bell Atlantic and NYNEX; and,

(b) grant such other relief as the Commission deems appropriate.

Respectfully submitted,



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