



California Public Utilities Commission

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News Release

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PUC APPROVES TELECOM MERGERS, APPROVAL ADDRESSES ‘DIGITAL DIVIDE’

SAN FRANCISCO, November 18, 2005 – The California Public Utilities Commission (PUC) today issued decisions approving the SBC-AT&T and Verizon-MCI mergers. The approved mergers include nearly \$100 million in commitments by the combined companies to increase access to broadband and advanced telecommunications services to underserved communities in California.

“These new entities will be strong competitors in the global telecommunications market, and California consumers stand to benefit,” PUC President Michael R. Peevey said. “With the added commitment by these companies to ensure access to broadband and advanced services in underserved communities, these mergers will bring billions of dollars in investment and new technologies to California consumers.”

“These mergers will bring the advanced communications networks that are critical to California’s communications infrastructure,” Commissioner Susan P. Kennedy said. “It’s not about local versus long distance anymore – it’s about broadband; it’s about information systems; it’s about goods movement, videoconferencing, telemedicine, and virtual universities.”

Today’s decisions concur with the Attorney General’s detailed analysis that, because of changes in technology and the rapid decline of the long distance market, the mergers will have little competitive impact in California. The only mitigation measure recommended by the Attorney General and included in the approved decisions involves SBC’s “special access” lines, which will be frozen at current wholesale rates for one year. The decisions note the Federal Communications Commission’s (FCC) recent approval with additional conditions in specified areas. The FCC’s conditions do not need separate approval on the state level.

As a condition of approving both mergers, the PUC required SBC and Verizon to stop forcing customers to maintain traditional local phone service as a condition of accessing DSL. This

provision, known as “stand-alone DSL”, allows a customer to turn off their regular home phone service and use a wireless or an Internet phone service such as Skype and Vonage if they choose, without losing their high-speed DSL service.

“Customers should be able to choose alternative phone service providers without losing access to broadband,” President Peevey said. “It’s a false choice to say a customer can buy any phone service they want if they are forced to buy phone service from SBC in order to get DSL.”

Commissioner Kennedy added, “Having a real choice is especially important as the industry consolidates and moves toward new technologies.”

Increased Charitable Contributions to Underserved Communities

The PUC also accepted a negotiated agreement between both companies and organizations representing low-income and underserved communities to substantially increase corporate philanthropy in California. As part of an agreement with the Greenlining Institute and Latino Issues Forum, SBC and Verizon agreed to increase corporate philanthropy by \$47 million and \$20 million, respectively, over five years and to focus those contributions on low-income and underserved communities. Both companies also agreed to increase supplier diversity goals and to provide technical assistance to minority businesses and other underserved communities.

Broadband Deployment: California Emerging Technology Fund

As a condition of approving the mergers, the PUC also required both companies to contribute a combined total of \$60 million to an infrastructure fund for emerging broadband technologies. The California Emerging Technology Fund (CETF) would be established by the PUC as an independent non-profit entity that would focus on building broadband networks in areas with limited access to high-speed Internet service. The PUC established a similar fund for emerging energy technologies (The California Clean Energy Fund) as a condition of approving the Pacific Gas and Electric Company reorganization plan in 2003.

CETF funds will be used to attract matching funds from other non-profit organizations, corporations, and government entities. It is anticipated that the initial endowment of \$60 million (\$45 million from SBC and \$15 million from Verizon) will be matched with funds from other sources to reach a total goal of \$100 million over five years. The purpose of the CETF is to fund deployment of broadband facilities in underserved communities, defined as communities without broadband service, communities with access to only one broadband service provider other than satellite, or below average broadband adoption rates. Communities with below average adoption rates primarily include low-income households, ethnic minority communities, disabled citizens,

seniors, small businesses, and rural or high-cost geographic areas. The CETF will also focus on deployment of broadband facilities to bring critical advanced services to high cost and rural areas, such as telemedicine and online education.

“This Commission is committed to 100 percent access in the next five years,” President Peevey said. Commissioner Kennedy added, “This fund is aimed at building those last mile connections that are the hardest to reach, and tend to be uneconomical for the private sector to serve. It won’t replace private sector investment – it will supplement it. With the right combination of funding, we can bring key services such as telemedicine to the far reaches of the state.”

The decisions stated that it is the intent of the PUC that broadband facilities funded by the CETF would be owned and operated by private corporations, non-governmental organizations (such as universities or health facilities), or local governments. Any remuneration for CETF facilities transferred to other entities would be returned to the CETF fund for use in future projects.

For more information on the PUC, please visit www.cpuc.ca.gov.

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