

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

Application of Sprint Nextel Corporation)
for Approval of the Transfer of Control of)
Sprint Missouri, Inc., Sprint Long)
Distance, Inc. and Sprint Payphone)
Services, Inc. From Sprint Nextel)
Corporation to LTD Holding Company.)

Case No. IO-2006-0086

STAFF RECOMMENDATION

COMES NOW Staff of the Missouri Public Service Commission, and as directed by the Commission, provides its Recommendation in this matter. Staff's Recommendation is comprised of this pleading and the Rebuttal Testimony of Matthew J. Barnes, William L. Voight and Larry Henderson, to be filed contemporaneously with this pleading. Staff recommends approval of the Application, but only if the Commission approves it subject to conditions set forth in the testimony of the foregoing witnesses. Staff further states:

On August 23, 2005, Sprint Nextel Corporation ("Sprint") filed an Application with the Missouri Public Service Commission ("Commission") initiating the above-captioned proceeding. Sprint requested authority to transfer control of Sprint Missouri, Inc.; Sprint Long Distance, Inc.; and Sprint Payphone Services, Inc. to a new holding company, LTD Holding Company ("LHC"). On October 17, 2005, LHC was made a party to this proceeding by Commission Order.

The Commission's jurisdiction to review this transaction is founded upon Section 392.300.2 RSMo. (2000) and 4 CSR 240-3.535. The pertinent portion of Section 392.300.2 provides that:

2. ... no stock corporation, domestic or foreign, other than a telecommunications company, shall, without the consent of the commission, purchase or acquire, take or hold more than ten percent of the total capital stock issued by any telecommunications company organized or existing under or by virtue of the laws of this state, except that a corporation now lawfully holding a majority of the capital stock of any telecommunications company may, without the consent of the commission, acquire and hold the remainder of the capital stock of such telecommunications company, or any portion thereof. ...

Sprint Missouri, Inc. is a Missouri corporation.

Applicable case law provides that the Commission's standard of review when considering transfer of stock is that the Commission shall approve such transfers unless the transfer would be detrimental to the public interest. See *State ex rel. City of St. Louis v. Public Serv. Comm'n*, 73 S.W.2d 393, 400 (Mo.banc 1934). This standard has been incorporated into the Commission's rule at 4 CSR 240-3.535(1)(C), which requires "reasons why the proposed acquisition of the stock of the public utility is not detrimental to the public interest" to accompany applications for such authority.

Each of Staff's witnesses in this case opines that the transaction proposed by Sprint is not detrimental to the public interest, but only if the transaction is subject to specific conditions. Staff recommends approval of Sprint's application, but only if the Commission places upon that approval the conditions that are set forth in each of Staff's witnesses' Rebuttal Testimony.

Further, Staff recommends that the Commission waive the application of 4 CSR 240-3.535(1)(A) for good cause pursuant to 4 CSR 240-2.015. This rule requires an application for authority to acquire the stock of a public utility to include a statement of the offer to purchase the stock of the public utility or a copy of any agreement entered with shareholders to purchase stock. Because the transfer of stock in Sprint Missouri,

Inc.; Sprint Long Distance, Inc.; and Sprint Payphone Services, Inc. from Sprint to LHC will occur by an inter-company transfer, there will be no “purchase” of stock as contemplated in Rule 3.535(a). Instead, the transfer of stock in Sprint Missouri, Inc.; Sprint Long Distance, Inc.; and Sprint Payphone Services, Inc., along with other transfers of assets and liabilities, from Sprint to LHC will occur pursuant to the terms of a Contribution and Distribution Agreement (the “Distribution Agreement”). The transfer of stock from Sprint Nextel to LHC will occur pursuant to the terms of a Distribution Agreement. Sprint will file with the SEC as part of a filing on Form 10, a summary of the Distribution Agreement or, if available at the time of the initial Form 10 filing, a draft of the Distribution Agreement. Staff recommends that Sprint and LHC be directed to provide the Missouri Public Service Commission with a copy of the Distribution Agreement summary and/or a draft of the Distribution Agreement within three business days after filing it with the SEC, and file in the case file of this case a copy of the finalized and signed Distribution Agreement within three business days after its execution.

Staff also recommends that the Commission should waive 4 CSR 240-3.535(1)(B) for good cause pursuant to 4 CSR 240-2.015. This rule provides that an application for authority to acquire the stock of a public utility shall be accompanied by a certified copy of the resolutions of the applicant’s directors authorizing the stock acquisition. Sprint has indicated that at its meeting in December 2004 approving the Nextel merger, the Sprint Corporation Board also authorized Sprint’s officers to pursue the separation that is the subject of Sprint’s Application and to take the necessary steps to effectuate the transaction subject to Board approval of the final terms. Staff recommends that the

Commission direct Sprint and LHC to file in the case file of this case the Board resolution(s) approving the final terms of the transaction within three business days after the passage of the Board resolution(s).

The transfer of the residential and business customers from Sprint Communications Company L.P. to Sprint Long Distance should be completed in accordance with FCC and Missouri rules, including 4 CSR 240-33.150(4) [Changes in Subscriber Carrier Selections as a Result of Merger or Consolidation or the Sale, Assignment, Lease or Transfer of Assets] and 4 CSR 240-33.150(6)(E) [Procedures for Lifting Preferred Carrier Freezes]. Staff recommends that the Commission direct that transfer of these customers may not take place until all required customer notices have been provided, and the notices will include an opportunity for customers to choose another long distance carrier if they do not desire service from Sprint Long Distance, Inc. Staff further recommends that the Commission direct Sprint and LTD to submit the customer notice of the transfer to the case file of this case at least four weeks before the anticipated date the notice will be sent to customers. Interested parties should be provided ten days to object to the form of the notice.

WHEREFORE, Staff submits this recommendation and accompanying Rebuttal Testimony to provide the Commission with its Recommendation in this matter.

Respectfully submitted,

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/s/ David A. Meyer

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 15th day of November 2005.

/s/ David A. Meyer