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BEFORE THE ARIZONA CORPORATION COMMISSION

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- 2
- 3 **MARC SPITZER**  
Chairman
- 4 **WILLIAM A. MUNDELL**  
Commissioner
- 5 **JEFF HATCH-MILLER**  
Commissioner
- 6 **MIKE GLEASON**  
Commissioner
- 7 **KRISTIN MAYES**  
Commissioner
- 8

2004 DEC 17 P 4: 12

AZ CORP COMMISSION  
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Arizona Corporation Commission

**DOCKETED**

DEC 17 2004

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9 IN THE MATTER OF THE JOINT )  
 10 APPLICATION OF SBC TELECOM, INC. )  
 11 AND SBC LONG DISTANCE, INC. FOR )  
 12 APPROVAL OF A PROPOSED )  
 13 CORPORATE REORGANIZATION )  
 14 )  
 15 )  
 16 )

DOCKET NO. T-03346A-04-0911  
 T-03811A-04-0911

**APPLICATION FOR APPROVAL OF  
CORPORATE REORGANIZATION**

17 SBC Telecom, Inc. ("SBC Telecom") and SBC Long Distance, Inc. ("SBC Long  
 18 Distance")<sup>1</sup> formerly known as Southwestern Bell Communications Services, Inc., d/b/a SBC  
 19 Long Distance (together "Petitioners") hereby jointly petition the Arizona Corporation  
 20 Commission ("Commission") for approval of the corporate reorganization and consolidation  
 21 affecting SBC Telecom and SBC Long Distance described below. In support of the  
 22 Application, the Petitioners state as follows:  
 23  
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<sup>1</sup> SBC Long Distance filed a Notice with the Commission, dated November 16, 2004, regarding the change of corporate name from Southwestern Bell Communications Services, Inc. to SBC Long Distance, Inc.

1           1.       SBC Telecom is a certificated competitive local exchange carrier ("CLEC") in  
2 the State of Arizona, having received a Certificate of Convenience and Necessity from the  
3 Commission on June 13, 2000 in Docket No. T-03811A-99-0693, Decision No. 62645.

4           2.       As a certificated CLEC, SBC Telecom is authorized to provide local exchange  
5 and interexchange services and other public telecommunications services, including facilities-  
6 based and resold services, anywhere in the State of Arizona.

7           3.       SBC Telecom is a party to an interconnection agreement with Qwest  
8 Corporation, Inc., which was approved by the Commission in Docket No.'s T-03811A-00-  
9 0266 and T-01051A-00-0266.

10          4.       SBC Long Distance is a certificated reseller of interLATA and intraLATA  
11 interexchange telecommunication services in the State of Arizona, having received a  
12 Certificate of Convenience and Necessity from the Commission on November 23, 1998, in  
13 Docket No. T-03346A-97-0152, Decision No. 61227. SBC Long Distance is also a certificated  
14 CLEC in the State of Arizona, having received a Certificate of Convenience and Necessity  
15 from the Commission on April 6, 2004 in Docket No. T-03346A-03-0844, Decision No.  
16 66891.

17          5.       As a certificated IXC reseller, SBC Long Distance is authorized to provide  
18 resold interexchange telecommunications services throughout the state. As a certificated  
19 CLEC, SBC Long Distance is also authorized to provide local exchange services, including  
20 facilities-based and resold services, anywhere in the State of Arizona.

21          6.       SBC Long Distance has pending before the Commission an Application for a  
22 Certificate of Convenience and Necessity to provide facilities-based interexchange  
23 telecommunications services within the State of Arizona in Docket No. T-03346A-04-0413.  
24  
25

1 The Application is scheduled for a hearing on February 15, 2005 at 10:00 a.m. The  
2 Commission Staff filed a report on October 29, 2004 recommending approval of the  
3 Application subject to certain conditions.

4 7. SBC Telecom and SBC Long Distance are wholly-owned subsidiaries of SBC  
5 Communications Inc. ("SBC").

6 8. In the proposed reorganization, SBC Long Distance will take over the  
7 operations, assets, and liabilities of SBC Telecom as follows:

- 8 a. SBC Long Distance will become a wholly-owned subsidiary of SBC  
9 Telecom;
- 10 b. SBC Long Distance will be converted from a corporation to a limited  
11 liability company ("SBC Long Distance, LLC");
- 12 c. SBC Telecom will transfer its assets, liabilities, and all operations to  
13 SBC Long Distance, LLC including its voice and data switches,  
14 customer contracts/service orders, real estate leases, receivables and  
15 employees;
- 16 d. With Commission approval, SBC Telecom's interconnection agreement  
17 with Qwest Corporation, Inc. and its price lists filed with the  
18 Commission will be transferred to SBC Long Distance, LLC;
- 19 e. SBC Telecom will become a wholly-owned subsidiary of SBC  
20 Teleholdings, Inc., a wholly-owned subsidiary of SBC formerly known  
21 as Ameritech Corporation;
- 22
- 23
- 24
- 25

1 f. Petitioners will request that the Commission cancel SBC Telecom's  
2 Certificate of Convenience and Necessity so that SBC Long Distance,  
3 LLC will be the only SBC affiliate with a certificate in Arizona.

4 9. The proposed reorganization will result in a consolidation of SBC owned and  
5 controlled assets through the rearranging of the ownership interests of SBC and its subsidiaries.  
6 A diagram showing the existing organizational structure and a diagram showing the proposed  
7 organizational structure of the impacted entities are attached hereto and incorporated by  
8 reference herein as Exhibits "A" and "B" respectively. The proposed reorganization is being  
9 done to create administrative efficiencies, minimize the possibility of customer confusion,  
10 promote continuity of services, and offer a full range of services under a single company name.  
11

12 10. The services currently provided to SBC Telecom subscribers will continue to be  
13 offered by SBC Long Distance, LLC at existing rates and conditions pursuant to the SBC  
14 Telecom price lists assigned to SBC Long Distance, LLC. The proposed reorganization will  
15 result in the consolidation of the two subsidiaries into a single operating entity, for which the  
16 financial qualification and support of SBC would remain in place, and be combined with the  
17 managerial and technical expertise of SBC Long Distance, to continue to provide quality  
18 service to Arizona customers.

19 11. Petitioners will give their customers appropriate and timely notice of the change  
20 in compliance with state and federal requirements. The planned completion date for the  
21 proposed reorganization outlined in this Application is on or about March 31, 2005. Therefore,  
22 Petitioners' notice will provide that the transfer and consolidation will be completed and the  
23 service will begin to be provided under the name of SBC Long Distance, LLC on or about  
24 March 31, 2005.  
25

1           12.     Customers will not be affected by SBC Long Distance's conversion to a limited  
2 liability company. SBC Long Distance is incorporated in Delaware. The conversion will be  
3 done pursuant to Del. Code Ann. Title 8, § 266. Section 266(d) states: "the conversion of a  
4 corporation pursuant to a certificate of conversion under this section shall not be deemed to  
5 affect any obligations or liabilities of the corporation incurred prior to such conversion or the  
6 personal liability of any person incurred prior to such conversion." Moreover, "the corporation  
7 shall continue to exist as a limited liability company..." Del. Code Ann. Title 8, § 266(e).

8  
9           13.     Since SBC Long Distance, LLC will continue serving Petitioners' customers in  
10 Arizona; notice of discontinuance of service under A.A.C. Rule R14-2-1107 is not required.

11           14.     The Petitioners request that the Commission approve the assignment of the SBC  
12 Telecom price lists to SBC Long Distance, LLC, contingent only upon SBC Long Distance  
13 filing name changes for the SBC Telecom price lists.

14           15.     The Petitioners request that the Commission approve the assignment of the SBC  
15 Telecom interconnection agreement with Qwest Corporation.

16           16.     Any data requests or requests for information may be directed to:

17                             Steven Strickland  
18                             General Counsel & Secretary – SBC Telecom, Inc.  
19                             1010 N. Saint Mary's St., Room 14J  
20                             San Antonio, TX 78215  
21                             Tel: 210-246-8430  
22                             Fax: 210-246-8699  
23                             E-Mail: [ss0528@txmail.sbc.com](mailto:ss0528@txmail.sbc.com)

24                             John di Bene  
25                             VP General Counsel & Secretary – SBC Long Distance, Inc.  
26                             5850 W. Las Positas Blvd., Room SE001  
27                             Pleasanton, CA 94588  
28                             Tel: 925-251-7410  
29                             Fax: 925-468-5543  
30                             E-Mail: [jd3235@camail.sbc.com](mailto:jd3235@camail.sbc.com)

1 Norm Descoteaux  
2 Associate Director – Regulatory, SBC Long Distance, Inc.  
3 5850 W. Las Positas Blvd., Room NE137  
4 Pleasanton, CA 94588  
5 Tel: 925-468-6209  
6 Fax: 707-435-6640  
7 E-Mail: [nd1639@camail.sbc.com](mailto:nd1639@camail.sbc.com)

8 With a copy to:

9 Gary L. Lane  
10 Attorney at Law  
11 2929 North 44<sup>th</sup> Street, Suite 120  
12 Phoenix, Arizona 85018  
13 Tel: 602-954-8585  
14 Fax: 602-667-6552  
15 E-Mail: [garylane@primenet.com](mailto:garylane@primenet.com)

16 17. In Docket No. T-03346A-03-0844, the Commission found and concluded that  
17 SBC Long Distance had the technical, financial, and managerial expertise to provide public  
18 telecommunications services in Arizona. These findings will continue to be accurate after the  
19 proposed reorganization. SBC Long Distance, LLC, as the single affiliate of SBC offering  
20 local exchange and long distance services in Arizona, will eliminate customer confusion and  
21 augment competition in the markets where it serves. Customers in Arizona will benefit from  
22 the change with an active telecommunications service provider in the local exchange market,  
23 and with Commission approval of the pending Application in Docket No. T-03346A-04-0413,  
24 in the interexchange market. For all of the foregoing reasons, the corporate reorganization and  
25 transfer of assets, liabilities, and operations from SBC Telecom to SBC Long Distance, LLC  
are in the public interest.

18 18. In Docket No. T-03811-A-99-0693, Decision No. 63204, issued November 30,  
19 2000, SBC Telecom was granted a partial waiver of the Commission's Affiliated Interest  
20 Rules, A.A.C. R14-2-801 to R14-2-806. Pursuant to the Decision, the Commission determined

1 that SBC Telecom only had to file a Notice of Intent to enter into the transactions listed in Rule  
2 R14-2-803 “when a transaction is likely to result in (1) significant increased costs in the  
3 Arizona jurisdictional operations; (2) significant additional costs allocated or charged directly  
4 to the Arizona jurisdiction; or (3) a significant reduction of net income to the Arizona  
5 operations.” The proposed reorganization is not likely to result in (1) significant increased  
6 costs in the Arizona jurisdictional operations; (2) significant additional costs allocated or  
7 charged directly to the Arizona jurisdiction; or (3) a significant reduction of net income to the  
8 Arizona operations.  
9

10 19. Also, in Docket No. T-038811-A-99-0693, the Commission determined that SBC  
11 Telecom only had to seek approval of the transactions identified in Rule R14-2-804 for those  
12 transactions that are “likely to have a material adverse effect on Arizona operations.” The  
13 proposed reorganization will not have a material adverse effect on Arizona operations.

14 20. The Petitioners request that the Commission grant the same partial waiver of the  
15 *Affiliated Interests Rules for SBC Long Distance, LLC* as it did for SBC Telecom in Docket  
16 No. T-038811-A-99-0693.

17 21. This application process is being submitted to a number of state commissions.  
18 The planned completion date for the proposed reorganization to take place nationwide is on or  
19 about March 31, 2005. Therefore, the Petitioners request that the Commission approve this  
20 Application before March 31, 2005.  
21

22 Wherefore, Petitioners request that the Commission:

23 1. Issue an Order approving the corporate reorganization described above and  
24 recognize SBC Long Distance, LLC as the SBC affiliate providing public telecommunications  
25 services in Arizona pursuant to its Certificate of Convenience and Necessity; and



1 ORIGINAL and THIRTEEN COPIES  
2 of the foregoing filed this 17th  
3 day of December, 2004 with:

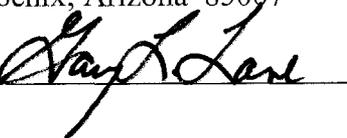
4 Docket Control Center  
5 Arizona Corporation Commission  
6 1200 West Washington Street  
7 Phoenix, Arizona 85007

8 COPY of the foregoing hand-delivered  
9 this 17th day of December, 2004, to:

10 Lyn Farmer, Chief Administrative Law Judge  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, Arizona 85007

14 Chris Kempley, Chief Counsel  
15 Legal Division  
16 Arizona Corporation Commission  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007

19 Ernest Johnson, Director  
20 Utilities Division  
21 Arizona Corporation Commission  
22 1200 West Washington Street  
23 Phoenix, Arizona 85007

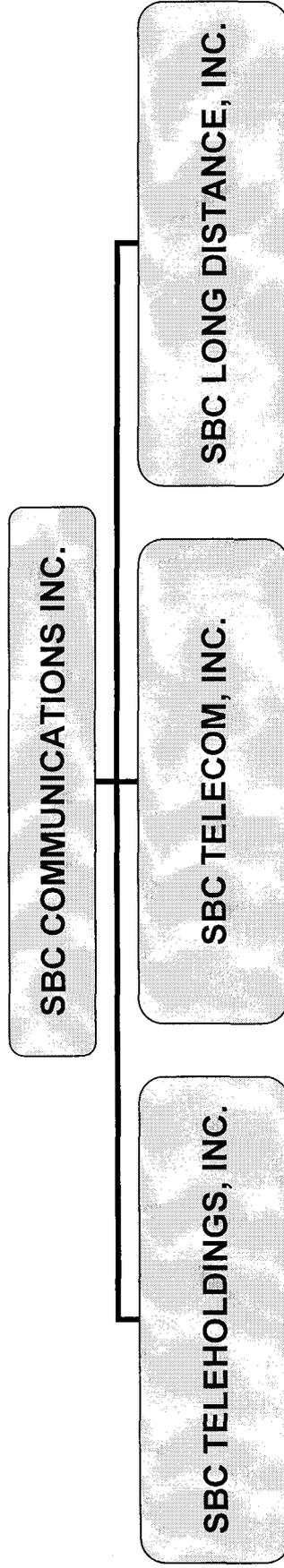
24 By   
25

**EXHIBIT A**

# **SBC COMMUNICATIONS INC. PRE-RESTRUCTURING ORGANIZATION**

AS OF OCTOBER 1, 2004

(ORGANIZATION CHART ONLY INCLUDES SUBSIDIARIES THAT ARE IMPACTED BY THIS RESTRUCTURING. UNAFFECTED SUBSIDIARIES ARE NOT DISPLAYED.)



**EXHIBIT B**

# **SBC COMMUNICATIONS INC. POST-RESTRUCTURING ORGANIZATION**

AS OF OCTOBER 1, 2004

(ORGANIZATION CHART ONLY INCLUDES SUBSIDIARIES THAT ARE IMPACTED BY THIS RESTRUCTURING. UNAFFECTED SUBSIDIARIES ARE NOT DISPLAYED.)

