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MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson *EA for EGJ*
Director
Utilities Division

THRU: Matthew Rowell
Chief, Telecommunications and Energy Section
Utilities Division

Wilfred Shand, Jr.
Manager, Telecommunications Section
Utilities Division

DATE: February 9, 2007

RE: IN THE MATTER OF THE JOINT APPLICATION OF ACCERIS
MANAGEMENT AND ACQUISITION LLC AND FIRST
COMMUNICATIONS LLC FOR APPROVAL OF THE TRANSFER OF
ASSETS, INCLUDING CUSTOMERS, OF ACCERIS MANAGEMENT AND
ACQUISITION LLC TO FIRST COMMUNICATIONS LLC. DOCKET NOS.
T-20376A-06-0536 AND T-20473A-06-0536

Attached is the Staff Report for Acceris Management and Acquisition, LLC and First Communications, LLC application for approval of a transfer of assets including customers. Staff recommends approval of this transfer. Staff further recommends that a hearing not be held in this matter.

Originator: Candrea Allen

Attachment: Original and thirteen Copies

Arizona Corporation Commission

DOCKETED

FEB 09 2007

DOCKETED BY	<i>KL</i>
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Service List for: Acceris Management and Acquisition, LLC and First Communications, LLC
Docket Nos. T-20376A-06-0536 and T-20473A-06-0536

Mr. Michael Patten
Roshka DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Ms. Katherine Barker Marshall
Kelley, Drye and Warren, LLP
3050 K Street, N.W., Suite 400
Washington, D.C. 20007

Ms. Mary Cegelski
First Communications, LLC
15166 Neo Parkway
Garfield Heights, Ohio 44128

Mr. Drew S. Backstrand, General Counsel
Acceris Management and Acquisition, LLC
60 South Sixth Street, Suite 2535
Minneapolis, Minnesota 55402

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**ACCERIS MANAGEMENT AND ACQUISITION, LLC and FIRST
COMMUNICATIONS, LLC**

DOCKET NOS. T-20376A-06-0536 and T-20473A-06-0536

**IN THE MATTER OF THE JOINT APPLICATION OF ACCERIS MANAGEMENT
AND ACQUISITION LLC AND FIRST COMMUNICATIONS LLC FOR APPROVAL
OF THE TRANSFER OF ASSETS, INCLUDING CUSTOMERS, OF ACCERIS
MANAGEMENT AND ACQUISITION LLC TO FIRST COMMUNICATIONS LLC**

FEBRUARY 9, 2007

STAFF ACKNOWLEDGMENT

The Staff Report for Acceris Management and Acquisition, LLC and First Communications, LLC, Docket Nos. T-20376A-06-0536 and T-20473A-06-0536, was the responsibility of the Staff members listed below. Candrea Allen was responsible for the review and analyses of the Companies' application for approval of a transfer of assets.

A handwritten signature in black ink, appearing to read 'Candrea Allen', with a large, sweeping flourish at the end.

CANDREA ALLEN
Executive Consultant I

INTRODUCTION

On August 24, 2006, Acceris Management and Acquisition, LLC ("Acceris") and First Communications, LLC ("First Communications"), (together, "Applicants"), filed with the Arizona Corporation Commission ("Commission"), an application for approval of a transfer of assets, including customers, from Acceris to First Communications.

BACKGROUND

On June 29, 2005, Acceris filed an application with the Commission for a Certificate of Convenience and Necessity ("CC&N"). The application for a CC&N is pending. Acceris, also doing business as Acceris Communications or WorldxChange, is a direct wholly owned subsidiary of North Central Equity LLC ("North Central"). North Central is a privately held holding Company established in 2004. Acceris' headquarters are located in San Diego, California where it is authorized to provide telecommunications services. Acceris is currently providing telecommunications services to residential and business customers throughout the United States.

On August 25, 2006, First Communications filed an application with the Commission for a CC&N. The application for a CC&N is currently pending. First Communications, formed on July 1, 1998, is a privately held limited liability company headquartered in Akron, Ohio, serving approximately 100,000 customers. First Communications provides telecommunications services to residential and business customers in several states.

Acceris and First Communications request approval to transfer certain assets, including customers, from Acceris to First Communications.

PROPOSED TRANSACTION

First Communications will acquire certain assets of Acceris relating to the business aspect of Acceris' operations. The assets located in Arizona that the Applicants are proposing to transfer include: seven business customers with 69 distinct locations, two routers located in Arizona (one router located in Tempe and the other in Phoenix), personal property (including equipment and switches), and business customers. First Communications, upon approval of its CC&N, will provide telecommunications services that mirror the services, rates, terms and, conditions of Acceris' business portion of its operations. There are no foreseen layoffs of Acceris' employees as a result of this transaction.

Acceris will continue its application for approval of a CC&N to provide telecommunications services to its customers not related to the business aspect of operations in Arizona. Thus, Acceris does not wish to withdraw its application for a CC&N.

STAFF ANALYSIS

Both Acceris and First Communications currently have pending applications for a CC&N to provide resold long distance telecommunications services within Arizona.

Based on the financial information submitted by First Communications in the application for a CC&N, Staff believes that the company will have sufficient financial resources to offer telecommunications services in Arizona.

First Communications states that no changes will be made to the services provided to the customers involved in this transaction. Also, First Communications ensures that a written notice will be provided to the affected customers at least 30 days from Commission order.

Staff believes that this transaction will not have a negative impact on the customers involved in this transaction nor will it negatively impact the competitive nature of the market.

STAFF RECOMMENDATIONS

Staff recommends that the joint application between Acceris and First Communications, to transfer assets and customers relating to Acceris' business segment its operations, be approved pursuant to A.R.S. §40-285 and R14-2-1107 with the following conditions:

1. That the current Acceris business customers have 90 days following the date of the Commission's order to transfer to another carrier without penalty if they so choose.