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MEMORANDUM
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Arizona Corporation Commission

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TO: THE COMMISSION

2007 SEP -5 P 4: 42

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: September 5, 2007

DOCKETED BY	
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RE: IN THE MATTER OF THE APPLICATION OF TRINSIC COMMUNICATIONS, INC., TOUCH 1 COMMUNICATIONS, INC., AND MATRIX TELECOM, INC. FOR APPROVAL OF A JOINT APPLICATION OF A TRANSFER OF ASSETS (DOCKET NOS. T-03589A-07-0231, T-03088A-07-0231 AND T-03228A-07-0231)

Attached is the Staff Report on the application of Trinsic Communications, Inc. ("Trinsic" formerly known as "Z-Tel Communications, Inc.") and Touch 1 Communications, Inc. ("Touch 1"), (collectively, "Trinsic"), and Matrix Telecom, Inc. ("Matrix") for approval of a Joint Application for a transfer of assets. Staff recommends approval of Matrix's request to transfer control of assets from Trinsic to Matrix.

for
Ernest G. Johnson
Director
Utilities Division

EGJ:WMS:lm\KT

Originator: Wilfred Shand, Jr.

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

TRINSIC COMMUNICATIONS, INC., TOUCH 1 COMMUNICATIONS, INC., AND
MATRIX TELECOM, INC.

DOCKET NOS. T-03589A-07-0231,
T-03088A-07-0231 AND T-03228A-07-0231

IN THE MATTER OF THE APPLICATION OF TRINSIC COMMUNICATIONS, INC.,
TOUCH 1 COMMUNICATIONS, INC., AND MATRIX TELECOM, INC. FOR APPROVAL
OF A JOINT APPLICATION OF A TRANSFER OF ASSETS

September 5, 2007

STAFF ACKNOWLEDGEMENT

The Staff Report for Trinsic Communications, Inc., Touch 1 Communications, Inc., and Matrix Telecom, Inc., Docket Nos. T-03589A-07-0231, T-03088A-07-0231 and T-03228A-07-0231, was the responsibility of the staff member listed below. Wilfred Shand, Jr. was responsible for the review and analysis of the application of Trinsic Communications, Inc., Touch 1 Communications, Inc., and Matrix Telecom, Inc. for approval of a Joint Application for a transfer of assets.



Wilfred Shand, Jr.
Public Utility Analyst Manager

TABLE OF CONTENTS

Introduction	1
Background	1
Transfer of Assets	1
Recommendations	2

Introduction

On April 9, 2007, Trinsic Communications, Inc. ("Trinsic" formerly known as "Z-Tel Communications, Inc."), Touch 1 Communications, Inc. ("Touch 1"), and any successor in interest of either, including a Chapter 7 bankruptcy trustee (collectively, "Trinsic"), and Matrix Telecom, Inc. ("Matrix") (and, together with Trinsic, the "Applicants"), filed a Joint Application seeking *expedited* Commission approval, to the extent necessary, to transfer control of assets used to provide local and long distance telecommunications services from Trinsic to Matrix. The Applicants have also requested that the Commission grant a waiver of the Commission's regulations governing the changes to a customer's telecommunications provider, Arizona Administrative Code Sections R14-2-1904, R14-2-1905, R14-2-1906, to the extent those rules are inconsistent with Federal Communications Commission's ("FCC's") rules governing the sale of a carrier's customer base, 47 C.F.R.3 64.1 120(e).

Background

The Commission granted Trinsic the authority to provide, resold interexchange service in Decision No. 61540, dated February 19, 1999, and to provide resold and facilities-based local exchange service in Decision No. 62896, dated September 18, 2000. The Commission granted Touch 1 the authority to provide resold interexchange service in Decision No. 61659, dated April 21, 1999.

The Commission granted Matrix the authority to provide resold interexchange service in Decision No. 65926, dated May 16, 2003 and to provide resold local exchange service in Decision No. 68343, dated December 9, 2005. Matrix has an application pending before the Commission for full, facilities-based local exchange services in Docket No. T-03228A-06-0800.

Transfer of Assets

On March 21, 2007, Trinsic and Tide Acquisition Corporation ("Tide") entered into an Asset Purchase Agreement, (the "APA") under which Tide would acquire the assets of Trinsic used to provide telecommunications services, as well as Trinsic's customer accounts across the nation, including in Arizona. Tide subsequently assigned its rights under the APA to Matrix.

Trinsic and Matrix have requested that the Commission approve the proposed sale before June 4, 2007. The Applicants state that approval before this date is required under the terms of the Asset Purchase Agreement and, because Trinsic has filed for bankruptcy, approval is necessary to ensure the continuation of service to Trinsic's customers. The Applicants have also requested that the Commission grant a waiver of the Commission's regulations governing the changes to a customer's telecommunications provider, Arizona Administrative Code Sections R14-2-1904, R14-2-1905, R14-2-1906, to the extent those rules are inconsistent with Federal Communications Commission's ("FCC's") rules governing the sale of a carrier's customer base, 47 C.F.R.3 64.1 120(e). The Applicants have stated that they will comply with the FCC's notice and certification requirements applicable to transfers of carrier customer bases. Matrix has also

stated that it will comply with any notice requirements contained in Trinsic's contracts with its customers.

The Applicants anticipate that this sale will be seamless and transparent to Trinsic's customers. Under the terms of the APA, Matrix will acquire Trinsic's entire local and long distance customer base, together with its rights and responsibilities under contracts necessary to operate Trinsic's business, Trinsic's real and personal property, equipment, fixtures, intellectual property, trademarks, and most other Trinsic assets. Thus, the Applicants assert that the proposed sale of Trinsic's assets to Matrix will cause no interruption in service to customers, that no existing service will be discontinued, reduced, or impaired as a result of the sale of these assets and that this transaction will not affect rates for, or terms or conditions of, any service being provided by Trinsic to customers in Arizona. Matrix will continue to provide service to these customers using the Trinsic names, possibly on a co-branded basis.

Staff has reviewed the customer notification letter that Matrix provided to all GC Small Business Customers. Because that notice was provided in a timely manner, informs customers that the rates, terms and conditions of service will not change as a result of this asset transfer and informs customers that they may subscribe to the telecommunications service provider of their choice, Staff believes the Commission's Slamming and Cramming rules should be waived in this matter.

Per information received from the Corporations Section of the Arizona Corporation Commission, all three companies are in good standing. In researching the Consumer Services database for complaints for Trinsic Communications, Inc. from January 1, 2004 to current, there were six complaints filed in 2004. These complaints were regarding billing, new service, quality of service, and disconnect/terminations. In 2005, there was one complaint regarding quality of service. All complaints have been resolved.

In researching the Consumer Services database for complaints for Touch 1 Communications, Inc. and Matrix Telecom, Inc. for the period from January 1, 2004 to current there are zero complaints filed. Matrix has informed Staff that it will honor any customer deposits and/or prepayments previously collected by Trinsic. Consequently, there is no risk that an advance, deposit and/or prepayment of funds from Arizona customers would be lost by approving this asset transfer.

Recommendations

1. Staff recommends approval of Matrix's request to transfer control of assets used to provide local and long distance telecommunications services from Trinsic to Matrix.
2. Staff recommends approval of Matrix's requested waiver of the Arizona Administrative Code Sections R14-2-1904, R14-2-1905, and R14-2-1906 in this matter.

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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION)
OF TRINSIC COMMUNICATIONS, INC.,)
TOUCH 1 COMMUNICATIONS, INC., AND)
MATRIX TELECOM, INC. FOR)
APPROVAL OF A JOINT APPLICATION)
OF A TRANSFER OF ASSETS)

DOCKET NOS. T-03589A-07-0231
T-03088A-07-0231
T-03228A-07-0231

DECISION NO. _____

ORDER

Open Meeting
September 18 and 19, 2007
Phoenix, Arizona

BY THE COMMISSION:

1. On April 9, 2007, Trinsic Communications, Inc. ("Trinsic" formerly known as "Z-Tel Communications, Inc."), Touch 1 Communications, Inc. ("Touch 1"), and any successor in interest of either, including a Chapter 7 bankruptcy trustee (collectively, "Trinsic"), and Matrix Telecom, Inc. ("Matrix") (and, together with Trinsic, the "Applicants"), filed a Joint Application seeking expedited Commission approval, to the extent necessary, to transfer control of assets used to provide local and long distance telecommunications services from Trinsic to Matrix. The Applicants have also requested that the Commission grant a waiver of the Commission's regulations governing the changes to a customer's telecommunications provider, Arizona Administrative Code Sections R14-2-1904, R14-2-1905, R14-2-1906, to the extent those rules are inconsistent with Federal Communications Commission's ("FCC's") rules governing the sale of a carrier's customer base, 47 C.F.R.3 64.1 120(e).

...

1 2. The Commission granted Trinsic the authority to provide, resold interexchange
2 service in Decision No. 61540, dated February 19, 1999 and to provide resold and facilities-based
3 local exchange service in Decision No. 62896, dated September 18, 2000. The Commission
4 granted Touch 1 the authority to provide resold interexchange service in Decision No. 61659,
5 dated April 21, 1999.

6 3. The Commission granted Matrix the authority to provide resold interexchange
7 service in Decision No. 65926, dated May 16, 2003 and to provide resold local exchange service in
8 Decision No. 68343, dated December 9, 2005. Matrix has an application pending before the
9 Commission for full, facilities-based local exchange services in Docket No. T-03228A-06-0800.

10 4. On March 21, 2007, Trinsic and Tide Acquisition Corporation ("Tide") entered into
11 an Asset Purchase Agreement, (the "APA") under which Tide would acquire the assets of Trinsic
12 used to provide telecommunications services, as well as Trinsic's customer accounts across the
13 nation, including in Arizona. Tide subsequently assigned its rights under the APA to Matrix.

14 5. Trinsic and Matrix have requested that the Commission approve the proposed sale
15 before June 4, 2007. The Applicants state that approval before this date is required under the
16 terms of the Asset Purchase Agreement and, because Trinsic has filed for bankruptcy, approval is
17 necessary to ensure the continuation of service to Trinsic's customers. The Applicants have also
18 requested that the Commission grant a waiver of the Commission's regulations governing the
19 changes to a customer's telecommunications provider, Arizona Administrative Code Sections
20 R14-2-1904, R14-2-1905, R14-2- 1906, to the extent those rules are inconsistent with Federal
21 Communications Commission's ("FCC's") rules governing the sale of a carrier's customer base,
22 47 C.F.R.3 64.1 120(e). The Applicants have stated that they will comply with the FCC's notice
23 and certification requirements applicable to transfers of carrier customer bases. Matrix has also
24 stated that it will comply with any notice requirements contained in Trinsic's contracts with its
25 customers.

26 6. The Applicants anticipate that this sale will be seamless and transparent to Trinsic's
27 customers. Under the terms of the APA, Matrix will acquire Trinsic's entire local and long
28 distance customer base, together with its rights and responsibilities under contracts necessary to

1 operate Trinsic's business, Trinsic's real and personal property, equipment, fixtures, intellectual
2 property, trademarks, and most other Trinsic assets. Thus, the Applicants assert that the proposed
3 sale of Trinsic's assets to Matrix will cause no interruption in service to customers, that no existing
4 service will be discontinued, reduced, or impaired as a result of the sale of these assets and that this
5 transaction will not affect rates for, or terms or conditions of, any service being provided by
6 Trinsic to customers in Arizona. Matrix will continue to provide service to these customers using
7 the Trinsic names, possibly on a co-branded basis.

8 7. Staff has reviewed the customer notification letter that Matrix provided to all GC
9 Small Business Customers. Because that notice was provided in a timely manner, informs
10 customers that the rates, terms and conditions of service will not change as a result of this asset
11 transfer and informs customers that they may subscribe to the telecommunications service provider
12 of their choice, Staff believes the Commission's Slamming and Cramming rules should be waived
13 in this matter.

14 8. Per information received from the Corporations Section of the Arizona Corporation
15 Commission, all three companies are in good standing. In researching the Consumer Services
16 database for complaints for Trinsic Communications, Inc. from January 1, 2004 to current, there
17 were six complaints filed in 2004. These complaints were regarding billing, new service, quality
18 of service, and disconnect/terminations. In 2005, there was one complaint regarding quality of
19 service. All complaints have been resolved.

20 9. In researching the Consumer Services database for complaints for Touch 1
21 Communications, Inc. and Matrix Telecom, Inc. for the period from January 1, 2004 to current
22 there are zero complaints filed. Matrix has informed Staff that it will honor any customer deposits
23 and/or prepayments previously collected by Trinsic. Consequently, there is no risk that an
24 advance, deposit and/or prepayment of funds from Arizona customers would be lost by approving
25 this asset transfer.

26 10. Staff has recommended approval of Matrix's request to transfer control of assets
27 used to provide local and long distance telecommunications services from Trinsic to Matrix.

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1 11. Staff has further recommended approval of Matrix's requested waiver of the
2 Arizona Administrative Code Sections R14-2-1904, R14-2-1905, and R14-2- 1906 in this matter.

3 CONCLUSIONS OF LAW

4 1. Trinsic and Matrix are public service corporations within the meaning of Article
5 XV of the Arizona Constitution.

6 2. The Commission has jurisdiction over Trinsic and Matrix and the subject matter in
7 this filing.

8 3. The Commission, having reviewed the filing and Staff's Memorandum dated
9 September 5, 2007 concludes that it is in the public interest to approve the Joint Application
10 seeking to transfer control of assets used to provide local and long distance telecommunications
11 services from Trinsic to Matrix.

12 ORDER

13 IT IS THERFORE ORDERED that the Joint Application seeking to transfer control of
14 assets used to provide local and long distance telecommunications services from Trinsic to Matrix
15 be and hereby is approved.

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IT IS FURTHER ORDERED that the Matrix requested waiver of the Arizona Administrative Code Sections R14-2-1904, R14-2-1905, and R14-2-1906 in this matter is approved.

IT IS FURTHER ORDERED that this Decision shall be become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2007.

DEAN S. MILLER
Interim Executive Director

DISSENT: _____

DISSENT: _____

EGJ:WMS:lhmkT

1 Service List for: Trinsic Communications, Inc., Touch 1 Communications, Inc., and Matrix
Telecom, Inc.

2 Docket Nos.: T-03589A-07-0231, T-03088A-07-0231 and T-03228A-07-0231

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