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MEMORANDUM

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FROM: Ernest G. Johnson
Director
Utilities Division

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DATE: June 12, 2009

RE: **AMENDED STAFF REPORT - IN THE MATTER OF THE JOINT APPLICATION OF ACCERIS MANAGEMENT AND ACQUISITION LLC AND COGNIGEN NETWORKS INC FOR APPROVAL OF A TRANSFER OF ASSETS (DOCKET NOS. T-20376A-06-0795 AND T-04258A-06-0795)**

Attached is the Amended Staff Report for Acceris Management and Acquisition, LLC and Cognigen Networks, Inc. for approval of a transfer of assets. Staff recommends approval of this transfer. In addition, Staff recommends cancellation of Cognigen Networks, Inc.'s Certificate of Convenience and Necessity. Staff further recommends that a hearing not be held in this matter.

EGJ:CLA:red

Originator: Candrea Allen

Attachment: Original and Thirteen Copies

Arizona Corporation Commission
DOCKETED

JUN 13 2009

DOCKETED BY *[Signature]*

Service List For: Acceris Management and Acquisition, LLC And Cognigen Networks, Inc.
Docket Nos.: T-20376A-06-0795 and T-04258A-06-0795

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

ACCERIS MANAGEMENT AND ACQUISITION, LLC AND COGNIGEN NETWORKS, INC

DOCKET NOS.: T-20376A-06-0795 AND T-04258A-06-0795

IN THE MATTER OF THE JOINT APPLICATION OF ACCERIS MANAGEMENT AND
ACQUISITION, LLC AND COGNIGEN NETWORKS, INC FOR APPROVAL OF A
TRANSFER OF ASSETS FROM COGNIGEN NETWORKS, INC TO ACCERIS
MANAGEMENT AND ACQUISITION, LLC

JUNE 12, 2009

STAFF ACKNOWLEDGMENT

The Amended Staff Report for Acceris Management and Acquisition, LLC and Cognigen Networks, Inc. (Docket Nos. T-20376A-06-0795 and T-04258A-06-0795) 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", written over a horizontal line.

Candrea Allen
Public Utilities Analyst

INTRODUCTION

On December 20, 2006, Acceris Management and Acquisition, LLC (“Acceris” or “Company”) and Cognigen Networks, Inc., (“Cognigen”) (collectively, “Applicants”) filed, with the Arizona Corporation Commission (“Commission”), an application for approval of a transfer of assets from Cognigen to Acceris.

On January 14, 2009, Staff filed its Staff Report which recommended approval of the transfer. In addition, Staff recommended a hearing not be held in this matter.

On February 26, 2009, the Administrative Law Judge issued a Procedural Order that required the Applicants to file an Affidavit of Compliance indicating full compliance with the requirements of Arizona Administrative Code (“A.A.C.”) R14-2-1107. On May 27, 2009, the Administrative Law Judge issued a Procedural Order that required Staff to make an appropriate filing, no later than June 12, 2009, indicating any changes to the recommendations in its January 14, 2009 Staff Report.

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. However, Staff has recommended administrative closure of Acceris’ CC&N docket because the Company is no longer doing business in any jurisdiction. As of January 2009, Acceris has been dissolved. Acceris, which also did business as Acceris Communications or WorldxChange, was 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 were located in San Diego, California where it was authorized to provide telecommunications services. Acceris was providing telecommunications services to residential and business customers throughout the United States.

On January 4, 2005, in Decision No. 67462, the Commission granted Cognigen a CC&N to provide resold long distance telecommunications services in the State of Arizona. Acceris and Cognigen requested approval to transfer the following assets: (1) business customers and the contractual rights concerning the customer accounts; (2) all relevant customer information from the customer lists, if any; customer agreements, customer billing and collection data, the complete billing history from each customer account; and (3) all cash and cash equivalents attributable to the transferred customers.

PROPOSED TRANSACTION

Acceris acquired customers and certain assets specific to those customers from Cognigen in February 2007. The assets located in Arizona that the Applicants proposed to transfer included: 138 business customers that constituted the business originating in the top 34 states by revenue, all information pertaining to the affected customers’ accounts, and the cash and cash

equivalents attributable to the customers being transferred. There were no service contracts between the applicants and the customers.

At the time of the application, Cognigen planned to retain its authorization to provide telecommunications services to those customers not being acquired by Acceris. However, Staff was informed via telephone on May 4, 2009, that as of April 2007, Cognigen was no longer providing telecommunications services in Arizona or any other jurisdiction. On May 22, 2009, in Docket No. T-04258A-09-0260, Cognigen filed an application for approval to cancel its CC&N to provide telecommunications services in Arizona.

STAFF ANALYSIS

The Applicants submitted a copy of the proposed written customer notice that was provided to the affected customers. Staff reviewed the customer notice and determined that it met the Commission's notice requirements. However, the Applicants did not file legal notice as required by A.A.C R14-2-1107.

Staff believes that this transaction did not have a negative impact on the customers involved in this transaction nor did it negatively impact the competitive nature of the market. There were no formal or informal complaints filed with the Commission regarding this transfer.

On February 1, 2007, Acceris filed a joint application with New Access Communications, LLC ("New Access") and First Communications, LLC ("First Communications") in Docket No. T-20376A-07-0076, et al., for approval of the transfer of assets including customers from Acceris and New Access to First Communications. According to a representative for Acceris, this transaction closed in February 2007 and the assets and customers that were transferred to Acceris in the instant application were eventually transferred to First Communications. Further, Acceris requested approval to withdraw its application for authorization to provide telecommunications services in Arizona in Docket No. T-20376A-07-0076, et al. The transfer of customers from Acceris and New Access, to First Communications is currently pending Commission approval.

STAFF RECOMMENDATIONS

Staff recommends that the joint Acceris and Cognigen application to transfer customers and assets specific to those customers from Cognigen to Acceris, be approved pursuant to A.R.S. §40-285 and A.A.C. R14-2-1107. Acceris is no longer providing service to customers in any jurisdiction and has requested to withdraw its application for a CC&N in Docket No. T-20376A-07-0076, et al. Due to the unique circumstances of this case, Staff believes that a waiver of A.A.C. R14-2-1107 is appropriate. Staff recommends cancellation of Cognigen's CC&N granted in Decision No. 67462. Upon cancellation of its CC&N, Cognigen will no longer be authorized to provide resold long distance telecommunications services in Arizona. Therefore, Cognigen will no longer be subject to the requirements of Decision No. 67462. Staff further recommends the withdrawal of Cognigen's tariffs on file with the Commission. Staff further

Acceris Management and Acquisition, LLC and Cognigen Networks, Inc.

Docket Nos. T-20376A-06-0795 and T-04258A-06-0795

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recommends that upon cancellation of Cognigen's CC&N in this docket, that Docket No. T-04258A-09-0260 be administratively closed.