

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

OPEN MEETING ITEM

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DATE: JUNE 8, 2010
DOCKET NO.: T-20641A-08-0583

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Belinda A. Martin. The recommendation has been filed in the form of an Order on:

ALLIANCE GLOBAL NETWORKS, LLC
(CC&N/RESELLER)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

JUNE 17, 2010

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

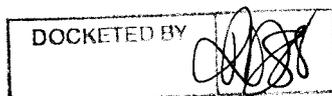
JUNE 29, 2010 and JUNE 30, 2010

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

JUN - 8 2010



ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- KRISTIN K. MAYES, Chairman
- GARY PIERCE
- PAUL NEWMAN
- SANDRA D. KENNEDY
- BOB STUMP

IN THE MATTER OF THE APPLICATION OF
 ALLIANCE GLOBAL NETWORKS, LLC, FOR A
 CERTIFICATE OF CONVENIENCE AND
 NECESSITY TO PROVIDE COMPETITIVE
 RESOLD LONG DISTANCE
 TELECOMMUNICATIONS SERVICES.

DOCKET NO. T-20641A-08-0583
 DECISION NO. _____

ORDER

Open Meeting
 June 29 and 30, 2010
 Phoenix, Arizona

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On December 1, 2008, Alliance Global Networks, LLC ("Alliance" or "Company"), filed with the Commission an application for a Certificate of Convenience and Necessity ("CC&N") to provide competitive resold long distance telecommunications services within a service area encompassing the entire State of Arizona ("Application").
2. On April 9, 2009, Alliance filed responses to the Commission's Utilities Division Staff's ("Staff") Letter of Insufficiency and First Set of Data Requests.
3. On May 14, 2009, Alliance filed an amended tariff.
4. On July 14, 2009, Alliance filed its responses to Staff's second set of data requests.
5. On August 4, 2009, Alliance filed its responses to Staff's third set of data requests.
6. On December 23 and 24, 2009, and March 12, 2010, Alliance filed affidavits averring that notice of the Application had been published according to Arizona law.

1 7. On December 24, 2009, Alliance filed an updated response to Staff's second set of
2 data requests.

3 8. On May 17, 2010, Staff filed its Staff Report recommending approval of Alliance's
4 Application subject to certain conditions.

5 **Fitness and Properness to Obtain a CC&N**

6 9. Alliance is a Delaware limited liability company, granted authority on September 25,
7 2008, to do business in Arizona as a foreign limited liability company.

8 10. Alliance is in good standing with the Commission's Corporations Division.

9 11. Alliance currently does not hold a CC&N to provide telecommunications services in
10 Arizona.

11 12. Alliance has indicated that neither Alliance nor any of its officers, directors, partners,
12 or managers have been or are currently involved in any civil or criminal investigations, have had
13 judgments entered in any civil or criminal matter or levied by any administrative or regulatory
14 agency, or have been convicted of any criminal acts within the past 10 years.

15 13. In its Staff Report, Staff noted that during the course of evaluating the Application,
16 Staff discovered the existence of a proceeding before the California Public Utility Commission
17 ("CPUC") in which California's Consumer Protection and Safety Division ("CPSD") filed a protest
18 involving the Company's CEO and the Company's affiliate, Alliance Group Services, Inc. ("AGS").
19 According to CPSD, AGS had failed to file a compliance report that was required as part of a
20 settlement agreement allowing AGS to provide service in California. According to Alliance, CPUC
21 issued a decision in the matter on September 10, 2009,¹ fining AGS \$2,500, which AGS paid on
22 September 29, 2009.

23 14. According to Staff, Alliance states that it is committed to complying with Commission
24 requirements and has hired Nationwide Regulatory Compliance, LLC, to handle compliance
25 reporting on the Company's behalf. Staff states that the Company "has taken corrective action to
26 ensure compliance reports required by regulatory agencies are filed in a timely manner."²

27 _____
28 ¹ CPUC Decision No. 09-09-005.

² Staff Report, page 4.

1 15. According to Alliance, it currently has authority to provide resold interexchange
2 service in 44 states or jurisdictions. Staff contacted the state public utility commissions (“PUCs”) in
3 15 of the states to confirm Alliance’s operating authority.

4 16. Alliance’s affiliate, AGS, is currently authorized to provide resold long distance
5 telecommunications services in Arizona pursuant to Decision No. 61318 (January 9, 1999). In 2003,
6 AGS and ComTech21, LLC, notified the Commission that AGS was transferring its 196 long
7 distance end user customers to ComTech21, LLC. Staff notes that AGS has not requested
8 cancellation of its CC&N and is currently providing resold long distance services only to other
9 interexchange carriers.

10 17. Finally, Staff states that the Consumer Services Section of the Utilities Division
11 reported no complaints, inquiries, or opinions filed within Arizona against Alliance between January
12 1, 2005 and December 10, 2008. Staff also notes that AGS has no complaints filed against it.

13 **Technical Capabilities**

14 18. Alliance intends to offer resold long distance telecommunications services from
15 AT&T to subscribers in Arizona.

16 19. Alliance’s management team is comprised of four employees who have over 60 years
17 experience in the telecommunications industry.

18 20. Alliance has authority to provide, and/or is providing, resold long distance
19 telecommunications services similar to those it intends to offer in Arizona in 44 states or
20 jurisdictions.

21 21. Based on the foregoing, Staff determined that Alliance has sufficient technical
22 capabilities to provide resold long distance telecommunications services in Arizona.

23 **Financial Resources**

24 22. According to the Application, Alliance was not formed until May 1, 2008, and
25 therefore, at the time the Application was filed, the Company did not have two previous years of
26 financial information. The Company did provide unaudited financing statements for a ninety day
27 period ending July 31, 2008. According to Staff, the financial information listed total assets of
28 \$143,731, total equity of \$16,219, and a net income of \$15,219.

1 23. Alliance projects total revenues generated by the provision of telecommunications
2 services to Arizona customers for the first 12 months of operations to be \$10,000, with \$6,500 of
3 operating expenses in Arizona during that period.

4 24. In its Application, Alliance projects the net book value of all Arizona jurisdictional
5 assets and the projected value of all Arizona assets after the first 12 months of operations to be zero.

6 25. Staff stated that if Alliance experienced financial difficulty, it would have only a
7 minimal impact on its customers because many companies provide resold long distance
8 telecommunications services, and facilities-based providers are also available.

9 26. Staff also notes that if customers desire long distance services from a different
10 provider, they are able to dial a 101XXXXX access code.

11 **Proposed Rates**

12 27. Staff indicates that the rates proposed by Alliance are for competitive services and that
13 rates for competitive telecommunications services are generally not established according to rate-of-
14 return regulation.

15 28. Staff has determined that Alliance's fair value rate base ("FVRB") is zero. While
16 Staff considered the FVRB information submitted by the Company, Staff determined that the FVRB
17 information should not be given substantial weight in its analysis.

18 29. As a reseller of services purchased from other telecommunications companies,
19 Alliance will have no market power and will have to compete with other providers to obtain
20 subscribers to its services. In light of this competitive market, Staff believes that the Company's
21 proposed tariffs will be just and reasonable.

22 30. Staff reviewed Alliance's proposed rates and determined that they are just and
23 reasonable.

24 31. Alliance's tariff indicates that it will not collect pre-payments, advance payments or
25 deposits from its resold long distance customers.

26 32. Staff recommended that if the Company wants to collect advances, deposits and/or
27 prepayments it must file an application referencing this Decision and explain the Company's plan for
28 procuring a performance bond or an irrevocable sight draft letter of credit.

1 **Regulatory Requirements**

2 33. Commission rules require Alliance to file a tariff for each competitive service that
3 states the maximum rate as well as the effective (actual) price that will be charged for the service.
4 Under Arizona Administrative Code ("A.A.C.") R14-2-1109(A), the minimum rate for a service must
5 not be below the total service long-run incremental cost of providing the service. Any change to
6 Alliance's effective price for a service must comply with A.A.C. R14-2-1109, and any change to the
7 maximum rate for a service in the Company's tariff must comply with A.A.C. R14-2-1110.

8 34. A.A.C. R14-2-1204(A) requires all telecommunications service providers that
9 interconnect to the public switched network to provide funding for the Arizona Universal Service
10 Fund ("AUSF"). A.A.C. R14-2-1204(B)(3)(a) requires new telecommunications service providers
11 that begin providing toll service after April 26, 1996, to pay AUSF charges as provided under A.A.C.
12 R14-2-1204(B)(2).

13 35. A.A.C. R14-2-1901 et seq. establish requirements to protect Arizona consumers from
14 unauthorized carrier changes ("slamming") and apply to each public service corporation providing
15 telecommunications services within the State of Arizona and over which the Commission has
16 jurisdiction.

17 36. A.A.C. R14-2-2001 et seq. establish requirements to protect Arizona consumers from
18 unauthorized carrier charges ("cramming") and apply to each public service corporation providing
19 telecommunications services within the State of Arizona and over which the Commission has
20 jurisdiction.

21 37. A.A.C. R14-2-1107 requires a competitive telecommunications service provider to file
22 an application for authorization with the Commission before it discontinues service; the rule also
23 establishes customer notice requirements and other requirements related to discontinuance of service.

24 **Staff's Recommendations**

25 38. Staff recommends approval of Alliance's Application and further recommends:

- 26 a. That Alliance be ordered to comply with all Commission rules, orders, and
27 other requirements relevant to the provision of intrastate telecommunications
28 service;
- b. That Alliance be ordered to maintain its accounts and records as required by

1 the Commission;

- 2 c. That Alliance be ordered to file with the Commission all financial and other
3 reports that the Commission may require, in a form and at such times as the
4 Commission may designate;
- 5 d. That Alliance be ordered to maintain on file with the Commission all current
6 tariffs and rates and any service standards that the Commission may require;
- 7 e. That Alliance be ordered to file with the Commission tariffs that state that it
8 does not require advances, deposits and/or prepayments from its customers;
- 9 f. That Alliance be ordered to comply with the Commission's rules and to
10 modify its tariffs to conform to those rules if it is determined that there is a
11 conflict between Alliance's tariffs and Commission rules;
- 12 g. That Alliance be ordered to cooperate with Commission investigations,
13 including but not limited to customer complaints;
- 14 h. That Alliance be ordered to participate in and contribute to the AUSF as
15 required by the Commission;
- 16 i. That Alliance be ordered to notify the Commission immediately upon changes
17 to its name, address, or telephone number;
- 18 j. That Alliance's intrastate interexchange service offerings be classified as
19 competitive pursuant to A.A.C. R14-2-1108;
- 20 k. That the maximum rates for Alliance's services be the maximum rates
21 proposed by Alliance in its proposed tariffs;
- 22 l. That the minimum rates for Alliance's services be the total service long-run
23 incremental costs of providing those services, as set forth in A.A.C. R14-2-
24 1109;
- 25 m. If Alliance states only one rate for a service in its proposed tariff, that the rate
26 stated be the effective (actual) price to be charged for the service as well as the
27 service's maximum rate;
- 28 n. That Alliance's fair value base rate is zero;
- o. That should Alliance request to discontinue and/or abandon its service area,
Alliance must provide notice to both the Commission and its customers, in
accordance with A.A.C. R-14-2-1107; and
- p. That Alliance be ordered to do the following and that its CC&N be rendered
null and void, after due process, if it fails to do the following:
- i. Alliance shall docket conforming tariffs within 365 days from the date
of an Order in this matter or 90 days before providing service,
whichever comes first, and in accordance with this Decision.
 - ii. Alliance shall notify the Commission as a compliance filing within 30
days of the first customer being served.

1 39. Additionally, Staff recommends approval of the Application without a hearing
2 pursuant to A.R.S. § 40-282.

3 40. Staff's recommendations are reasonable and should be adopted.

4 **CONCLUSIONS OF LAW**

5 1. Upon receiving a CC&N, Alliance will be a public service corporation within the
6 meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

7 2. The Commission has jurisdiction over Alliance and the subject matter of the
8 Application.

9 3. A.R.S. § 40-282 allows a telecommunications company to file an application for a
10 CC&N to provide competitive telecommunications services.

11 4. A.R.S. § 40-282 allows the Commission to grant a CC&N without first conducting a
12 hearing if the CC&N is for resold telecommunications services.

13 5. Notice of Alliance's Application was given in accordance with the law.

14 6. Pursuant to Article XV of the Arizona Constitution and the Arizona Revised Statutes,
15 it is in the public interest for Alliance to provide the telecommunications services for which it has
16 requested authorization in its Application.

17 7. Alliance is a fit and proper entity to receive a CC&N authorizing it to provide resold
18 long distance telecommunications services in the State of Arizona.

19 8. The telecommunications services that Alliance desires to provide are competitive in
20 Arizona.

21 9. Pursuant to Article XV of the Arizona Constitution and 14 A.A.C. 2, Article 11, it is
22 just and reasonable and in the public interest for Alliance to establish rates and charges for
23 competitive services that are not less than Alliance's total service long-run incremental costs of
24 providing the competitive services approved herein.

25 10. Staff's recommendations, as set forth in Findings of Fact Nos. 32, 38 and 39 are
26 reasonable and should be adopted.

27 11. Alliance's FVRB is not useful in determining just and reasonable rates for the
28 competitive services it proposes to provide Arizona customers.

1 IT IS FURTHER ORDERED that if Alliance Global Networks, LLC, fails to meet the
2 conditions outlined in Findings of Fact No. 38(p) within the stated timeframes, the Certificate of
3 Convenience and Necessity conditionally granted herein shall become null and void after due
4 process.

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

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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8

9 _____ CHAIRMAN _____ COMMISSIONER

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11 _____ COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER

12
13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
14 Executive Director of the Arizona Corporation Commission,
15 have hereunto set my hand and caused the official seal of the
16 Commission to be affixed at the Capitol, in the City of Phoenix,
17 this _____ day of _____, 2010.

18 _____
19 ERNEST G. JOHNSON
20 EXECUTIVE DIRECTOR

21 DISSENT _____

22 DISSENT _____
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1 SERVICE LIST FOR: ALLIANCE GLOBAL NETWORKS, LLC

2 DOCKET NO.: T-20641A-08-0583

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