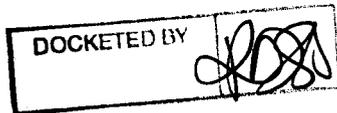


Arizona Corporation Commission  
**DOCKETED**

**AUG 26 2010**



## OPEN MEETING

MEMORANDUM  
**ORIGINAL**



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**RECEIVED**

2010 AUG 26 P 12: 21

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: August 26, 2010

RE: IN THE MATTER OF THE APPLICATION OF GLOBAL CROSSING  
TELEMANAGEMENT, INC. AND GLOBAL CROSSING LOCAL SERVICES,  
INC. FOR APPROVAL OF A MERGER (DOCKET NOS. T-03539A-10-0240 AND  
T-03658A-10-0240)

### Introduction

On June 14, 2010, Global Crossing Telemanagement, Inc. ("GCTM") and Global Crossing Local Services, Inc. ("GCLS") filed a Notice of merger with the Arizona Corporation Commission ("Commission") in relation to the *pro forma* merger of GCTM into its affiliate GCLS. Additionally, effective upon the consummation date of the merger, GCTM requests that its Certificate of Convenience and Necessity ("CC&N") and associated tariff be cancelled. On July 15, 2010, in response to Staff Data Request PJG1-1, the Applicants requested a waiver of Arizona Administrative Code ("A.A.C.") R14-2-1904 et seq., the Commission's Slamming Rules regarding the transfer of customers. On July 21, 2010, GCTM and GCLS filed an Affidavit of Publication confirming publication of a legal notice in *The Arizona Republic* on July, 9, 2010.

### The Parties

GCTM was incorporated under the laws of the State of Wisconsin on October 14, 1982. Its principal office is located in New York. GCTM is a wholly-owned subsidiary of Global Crossing Limited, a publicly traded Bermuda Corporation with affiliates in the United States and several other countries providing telecommunications services. In Arizona, GCTM was authorized to provide resold local exchange telecommunications services on October 29, 1998, in Decision No. 61213. GCTM currently provide resold local exchange telecommunications services in Arizona to six business accounts.

GCLS was incorporated under the laws of the State of Michigan on January 4, 1995. Its principal office is located in New York. GCLS is also a wholly-owned subsidiary of Global Crossing Limited. GCLS was authorized to provide facilities-based local exchange telecommunications services on April 1, 1999, in Decision No. 61622. GCLS currently offers facilities-based local exchange telecommunications services primarily to small and medium-sized business customers. Most customers of GCLS have individual account executives who handle all inquiries and other customer needs. GCLS' toll free telephone number is available for customer inquiries, complaints, and repair and the Company has a network operations center

located at 14605 South 50<sup>th</sup> Street, Phoenix, Arizona 85044. There are 227 employees at this location. In addition to GCTM, the other certificated Arizona affiliates of GCLS are Global Crossing North American Networks, Inc. and Global Crossing Telecommunications, Inc.

### **The Transaction**

GCTM and GCLS have entered into a planned *pro forma* merger whereas all the assets of GCTM will be transferred to GCLS on or about September 30, 2010. At the effective time of the merger, GCTM will cease to exist. Accordingly, GCTM requests that its authority to provide resold local exchange telecommunications services be cancelled upon consummation of the merger. Following the merger, the GCTM customers will continue to be served by GCLS. GCTM's Arizona tariff will be adopted in its entirety by GCLS.

### **The Applicants Request**

The Applicants request that the Commission approve the following:

- a. A *pro forma* merger involving the transfer of assets and customers of GCTM to GCLS; and
- b. Cancellation of GCTM's CC&N and associated tariff, effective upon the consummation date of the merger.
- c. A waiver of A.A.C. R14-2-1904 et seq., the Commission's Slamming Rules with respect to this particular transaction.

### **Staff's Analysis**

#### The Affiliated Interests Rules

The Public Utility Holding Companies and Affiliated Interests Rules apply to all Class A investor-owned utilities, defined as telecommunications carriers that have Arizona jurisdictional annual revenues of more than \$1 million. Based on revenues reported in the 2009 Annual Reports on file with the Commission, neither of the Applicants generated more than \$1 million of Arizona jurisdictional revenue, therefore this Application is not subject to A.A.C. R14-2-801 through 805 of the Public Utility Holding Companies and Affiliated Interests Rules. However, since this is a transfer of assets, the transaction would be subject to the Commission's review under Arizona Revised Statutes ("A.R.S.") §40-285.

#### Transfer of Customers and Assets

GCTM and GCLS have stated in their Application that GCTM's current Arizona customers will be transferred to GCLS. GCLS will become the service provider for those customers and will continue to provide service to those Arizona customers under its existing

certificate with no change in the rates, terms, or conditions of service as currently provided. In addition, the GCTM customers will not incur any charges as a result of the change in service provider from GCTM to GCLS. The transition to GCLS will be virtually transparent to the affected customers.

#### Cancellation of CC&N

The Applicants are requesting cancellation of GCTM's CC&N and associated tariff upon consummation of the merger. The Arizona customers of GCTM will be transferred to GCLS. GCTM's tariff will be adopted by GCLS in its entirety. Since GCTM will no longer be providing telecommunications services in the State of Arizona, the CC&N of GCTM will no longer be necessary.

#### Request for Waiver of Slamming Rules

In its Response to Staff Data Request PJG1-1, the Applicants requested a waiver of A.A.C. R14-2-1904 et seq., the Commission's Slamming Rules (Article 19 – Consumer Protections For Unauthorized Carrier Changes). At least 30 days prior to the anticipated closing date and transfer of customers, GCTM and GCLS will provide notice to the GCTM customers describing the transfer of GCTM's customers to GCLS and assuring customers that they will continue to receive the same telecommunications services that they are currently receiving in accordance with the rates, terms, and conditions of their existing contracts or effective tariffs. The customer notice will also advise those customers that they have the option of selecting a new service provider if they do not wish to become a customer of GCLS.

On June 14, 2010, as an exhibit to the Joint Application, the Applicants provided Staff a copy of the customer notice. Staff has reviewed the customer notification letter that GCTM and GCLS will be providing to the GCTM customers. Because the notice informs customers that the rates, terms and conditions of service will not change as a result of this proposed transfer and informs customers that they may subscribe to the telecommunications service provider of their choice, Staff believes the Commission's Slamming Rules (Article 19 - Consumer Protections For Unauthorized Carrier Changes) should be waived in this matter.

#### The Public Interest

GCLS has stated that it does not foresee any Arizona workforce layoffs resulting from the merger nor does it contemplate any Arizona plant or facility closings as a result of the merger.

GCLS has indicated that the merger will result in eventual cost savings related to regulatory compliance and taxes, but there is no contemplated impact on overall investment.

GCLS has also stated that there will be no changes in the debt structure of GCLS as a result of the planned merger. Following the completion of the merger, GCTM will no longer exist.

On July 21, 2010, the Applicants' filed an Affidavit of Publication verifying public notice of its Application. The Applicants published notice of its Application in *The Arizona Republic* on July 9, 2010.

The Consumer Services Division reports no complaints in Arizona against either of the Applicants from January 1, 2007 through June 23, 2010. GCLS also reports no outstanding or unresolved consumer complaints, relevant proceedings, or issues in Arizona or any of the other states in which GCLS is providing service. The Corporations Division has indicated that GCLS and GCTM are in good standing. The Compliance Section also states there are no delinquencies.

Staff is not aware of any concerns or objections filed by any entity or individual. Staff reviewed the Application and supplemental filings, and considered all responses to Staff's data requests.

### **Staff's Recommendations**

Staff recommends that the Application of GCTM and GCLS for approval of a *pro forma* merger involving the transfer of assets and customers of GCTM to GCLS, be approved. Staff also recommends that the Application to cancel GCTM's CC&N and associated Arizona tariff be approved effective upon consummation of the merger.

Staff further recommends that approval be conditioned on the following:

- a. That the Applicants provide notice to the Commission within 30 days following the merger close proposed in this Application.
- b. That GCLS file conforming tariffs, within 60 days of the effective date of a Decision in this matter, to incorporate the rates, terms and conditions of service that were included in the GCTM tariff. Until such time, the GCTM tariff shall be presumed to be the effective tariff.
- c. That for one year following the merger close or until GCLS and GCTM informs the Commission by filing an affidavit with Docket Control that merger-related activities are completed, whichever occurs last, GCLS provide written notification to Docket Control, at least 60 days in advance, of any planned merger-related Arizona workforce layoffs; any planned merger-related Arizona plant closings; and any planned merger-related Arizona facility closings.
- d. That GCLS notifies the GCTM customers of the proposed transfer through a direct mailing to the GCTM customers, allowing those customers to elect, within 90 days of receiving the notice, to continue or discontinue service with GCLS, without prejudice or regard to contractual obligations. Verification of the notice should be filed with Docket Control 90 days of a decision in this matter.

THE COMMISSION

August 26, 2010

Page 5

- e. That the Commission's Slamming Rules (Article 19 – Consumer Protections For Unauthorized Carrier Changes) be waived in this matter.



Steven M. Olea  
Director  
Utilities Division

SMO:PJG:lhM\MAS

ORIGINATOR: Pamela J. Genung

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION )  
OF GLOBAL CROSSING )  
TELEMANAGEMENT, INC. AND GLOBAL )  
CROSSING LOCAL SERVICES, INC. FOR )  
APPROVAL OF A MERGER )

DOCKET NOS. T-03539A-10-0240  
T-03658A-10-0240

DECISION NO. \_\_\_\_\_

ORDER

Open Meeting  
September 21 and 22, 2010  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On June 14, 2010, Global Crossing Telemanagement, Inc. ("GCTM") and Global Crossing Local Services, Inc. ("GCLS") filed a Notice of merger with the Arizona Corporation Commission ("Commission") in relation to the pro forma merger of GCTM into its affiliate GCLS. Additionally, effective upon the consummation date of the merger, GCTM requests that its Certificate of Convenience and Necessity ("CC&N") and associated tariff be cancelled. On July 15, 2010, in response to Staff Data Request PJG1-1, the Applicants requested a waiver of Arizona Administrative Code ("A.A.C.") R14-2-1904 et seq., the Commission's Slamming Rules regarding the transfer of customers. On July 21, 2010, GCTM and GCLS filed an Affidavit of Publication confirming publication of a legal notice in The Arizona Republic on July, 9, 2010.

2. GCTM was incorporated under the laws of the State of Wisconsin on October 14, 1982. Its principal office is located in New York. GCTM is a wholly-owned subsidiary of Global

1 Crossing Limited, a publicly traded Bermuda Corporation with affiliates in the United States and  
2 several other countries providing telecommunications services. In Arizona, GCTM was authorized  
3 to provide resold local exchange telecommunications services on October 29, 1998, in Decision  
4 No. 61213. GCTM currently provide resold local exchange telecommunications services in  
5 Arizona to six business accounts.

6 3. GCLS was incorporated under the laws of the State of Michigan on January 4,  
7 1995. Its principal office is located in New York. GCLS is also a wholly-owned subsidiary of  
8 Global Crossing Limited. GCLS was authorized to provide facilities-based local exchange  
9 telecommunications services on April 1, 1999, in Decision No. 61622. GCLS currently offers  
10 facilities-based local exchange telecommunications services primarily to small and medium-sized  
11 business customers. Most customers of GCLS have individual account executives who handle all  
12 inquiries and other customer needs. GCLS' toll free telephone number is available for customer  
13 inquiries, complaints, and repair and the Company has a network operations center located at  
14 14605 South 50th Street, Phoenix, Arizona 85044. There are 227 employees at this location. In  
15 addition to GCTM, the other certificated Arizona affiliates of GCLS are Global Crossing North  
16 American Networks, Inc. and Global Crossing Telecommunications, Inc.

17 4. GCTM and GCLS have entered into a planned pro forma merger whereas all the  
18 assets of GCTM will be transferred to GCLS on or about September 30, 2010. At the effective  
19 time of the merger, GCTM will cease to exist. Accordingly, GCTM requests that its authority to  
20 provide resold local exchange telecommunications services be cancelled upon consummation of  
21 the merger. Following the merger, the GCTM customers will continue to be served by GCLS.  
22 GCTM's Arizona tariff will be adopted in its entirety by GCLS.

23 5. The Applicants request that the Commission approve the following:

- 24 a. A pro forma merger involving the transfer of assets and customers of GCTM to  
25 GCLS; and;
- 26 b. Cancellation of GCTM's CC&N and associated tariff, effective upon the  
27 consummation date of the merger.
- 28 c. A waiver of A.A.C. R14-2-1904 et seq., the Commission's Slamming Rules  
with respect to this particular transaction.

1           6.       The Public Utility Holding Companies and Affiliated Interests Rules apply to all  
2 Class A investor-owned utilities, defined as telecommunications carriers that have Arizona  
3 jurisdictional annual revenues of more than \$1 million. Based on revenues reported in the 2009  
4 Annual Reports on file with the Commission, neither of the Applicants generated more than \$1  
5 million of Arizona jurisdictional revenue, therefore this Application is not subject to A.A.C. R14-  
6 2-801 through 805 of the Public Utility Holding Companies and Affiliated Interests Rules.  
7 However, since this is a transfer of assets, the transaction would be subject to the Commission's  
8 review under Arizona Revised Statutes ("A.R.S") §40-285.

9           7.       GCTM and GCLS have stated in their Application that GCTM's current Arizona  
10 customers will be transferred to GCLS. GCLS will become the service provider for those  
11 customers and will continue to provide service to those Arizona customers under its existing  
12 certificate with no change in the rates, terms, or conditions of service as currently provided. In  
13 addition, the GCTM customers will not incur any charges as a result of the change in service  
14 provider from GCTM to GCLS. The transition to GCLS will be virtually transparent to the  
15 affected customers.

16           8.       The Applicants are requesting cancellation of GCTM's CC&N and associated tariff  
17 upon consummation of the merger. The Arizona customers of GCTM will be transferred to  
18 GCLS. GCTM's tariff will be adopted by GCLS in its entirety. Since GCTM will no longer be  
19 providing telecommunications services in the State of Arizona, the CC&N of GCTM will no  
20 longer be necessary.

21           9.       In its Response to Staff Data Request PJG1-1, the Applicants requested a waiver of  
22 A.A.C. R14-2-1904 et seq., the Commission's Slamming Rules (Article 19 – Consumer  
23 Protections For Unauthorized Carrier Changes). At least 30 days prior to the anticipated closing  
24 date and transfer of customers, GCTM and GCLS will provide notice to the GCTM customers  
25 describing the transfer of GCTM's customers to GCLS and assuring customers that they will  
26 continue to receive the same telecommunications services that they are currently receiving in  
27 accordance with the rates, terms, and conditions of their existing contracts or effective tariffs. The

28 ...

1 customer notice will also advise those customers that they have the option of selecting a new  
2 service provider if they do not wish to become a customer of GCLS.

3 10. On June 14, 2010, as an exhibit to the Joint Application, the Applicants provided  
4 Staff a copy of the customer notice. Staff has reviewed the customer notification letter that GCTM  
5 and GCLS will be providing to the GCTM customers. Because the notice informs customers that  
6 the rates, terms and conditions of service will not change as a result of this proposed transfer and  
7 informs customers that they may subscribe to the telecommunications service provider of their  
8 choice, Staff believes the Commission's Slamming Rules (Article 19 - Consumer Protections For  
9 Unauthorized Carrier Changes) should be waived in this matter.

10 11. GCLS has stated that it does not foresee any Arizona workforce layoffs resulting  
11 from the merger nor does it contemplate any Arizona plant or facility closings as a result of the  
12 merger.

13 12. GCLS has indicated that the merger will result in eventual cost savings related to  
14 regulatory compliance and taxes, but there is no contemplated impact on overall investment.

15 13. GCLS has also stated that there will be no changes in the debt structure of GCLS as  
16 a result of the planned merger. Following the completion of the merger, GCTM will no longer  
17 exist.

18 14. On July 21, 2010, the Applicants' filed an Affidavit of Publication verifying public  
19 notice of its Application. The Applicants published notice of its Application in The Arizona  
20 Republic on July 9, 2010.

21 15. The Consumer Services Division reports no complaints in Arizona against either of  
22 the Applicants from January 1, 2007 through June 23, 2010. GCLS also reports no outstanding or  
23 unresolved consumer complaints, relevant proceedings, or issues in Arizona or any of the other  
24 states in which GCLS is providing service. The Corporations Division has indicated that GCLS  
25 and GCTM are in good standing. The Compliance Section also states there are no delinquencies.

26 16. Staff is not aware of any concerns or objections filed by any entity or individual.  
27 Staff reviewed the Application and supplemental filings, and considered all responses to Staff's  
28 data requests.



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ORDER

IT IS THEREFORE ORDERED that the Application of Global Crossing Telemanagement, Inc. and Global Crossing Local Services, Inc. in connection with a proposed transaction whereby Global Crossing Local Services, Inc. will acquire the assets and customers of Global Crossing Telemanagement, Inc. be and hereby is approved, as discussed herein.

IT IS FURTHER ORDERED that the Application of Global Crossing Telemanagement Inc. to cancel its Certificate of Convenience and Necessity for resold local exchange telecommunications services is approved subject to the provisions contained herein.

IT IS FURTHER ORDERED that the cancellation of the Certificate of Convenience and Necessity held by Global Crossing Telemanagement, Inc. shall be effective upon notification to the Commission that the merger has been consummated and a decision is issued by the Commission authorizing such cancellation.

IT IS FURTHER ORDERED that upon cancellation of Global Crossing Telemanagement, Inc. Certificate of Convenience and Necessity, Global Crossing Telemanagement, Inc. shall no longer be authorized to provide resold local exchange telecommunications services in Arizona and therefore, shall no longer be subject to the requirements of Decision No. 61213.

IT IS FURTHER ORDERED that the Applicant's request for a waiver of the Commission's Slamming Rules is granted with respect to the current Application for approval of the merger between Global Crossing Local Service, Inc. and Global Crossing Telemanagement, Inc.

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IT IS FURTHER ORDERED that approval of the Joint Application is conditioned upon the Applicants fulfilling the recommendations described in Finding of Fact No. 18.

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

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN	COMMISSIONER	
COMMISSIONER	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I ERNEST G. JOHNSON, 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 \_\_\_\_\_, 2010.

\_\_\_\_\_  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:PJG:lhm\MAS

1 SERVICE LIST FOR: GLOBAL CROSSING TELEMAGEMENT, INC. AND GLOBAL  
2 CROSSING LOCAL SERVICES, INC.  
3 DOCKET NOS. T-03539A-10-0240 AND T-03658A-10-0240

4 Robin Norton  
5 Technologies Management, Inc.  
6 2600 Maitland Center Parkway, Suite 300  
7 Maitland, Florida 32751

8 Steven M. Olea  
9 Director, Utilities Division  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
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13 Janice Alward  
14 Chief Counsel, Legal Division  
15 Arizona Corporation Commission  
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