

NEW APPLICATION



0000138960

ORIGINAL

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2012 JUL 21 P 3:44

Arizona Corporation Commission

DOCKETED

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

JUL 27 2012

DOCKETED BY
ne

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

Docket No. T-03016A-12-0342

IN THE MATTER OF THE VERIFIED JOINT
APPLICATION OF TCG PHOENIX AND
TELEPORT COMMUNICATIONS AMERICA, LLC.
FOR APPROVAL OF A PROPOSED CORPORATE
REORGANIZATION AND MERGER

VERIFIED APPLICATION

Pursuant to A.A.C. R14-2-801, *et seq.*, (the "Affiliated Interest Rules") and A.R.S. § 40-285, TCG Phoenix and Teleport Communications America, LLC ("Teleport") (collectively, the "Applicants") request that the Arizona Corporation Commission ("Commission") approve the merger of TCG Phoenix into Teleport. This proposed merger is part of a multi-state initiative to consolidate in Teleport the provision of telephone services that are currently provided through multiple and duplicative state-specific subsidiaries of AT&T. The Applicants are coordinating merger proceedings in multiple states. Accordingly, to allow sufficient time for processing and implementation of the transaction once all required state approvals are obtained, Applicants respectfully request approval no later than the Commission's November Open Meeting.

The merger of TCG Phoenix and Teleport is in the public interest. It will permit the Applicants to continue providing existing services at just and reasonable rates and will neither alter this Commission's authority to regulate the intrastate wireline services currently provided by TCG Phoenix nor adversely affect the competitiveness of the State's telecommunications

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-9000

1 markets. To the contrary, the merger will enhance AT&T's ability to provide those services
2 through a more efficient corporate structure.

3 **THE PARTIES**

4 1. TCG Phoenix is a New York general partnership with headquarters at One AT&T
5 Way, Bedminster, New Jersey 07921. The partners of TCG Phoenix are TCG Joint Venture
6 Holdings, Inc., a Delaware corporation, and TCG Partners, a New York general partnership, each
7 of which is a subsidiary of Teleport Communications Group Inc., which is a wholly-owned
8 subsidiary of AT&T Corp., which, in turn, is a wholly-owned subsidiary of AT&T Inc. TCG
9 Phoenix provides local exchange and resold interexchange telecommunications services and
10 products to business and government customers in Arizona.¹ The partnership interests in TCG
11 Phoenix are not publicly traded.

12 2. Teleport is a Delaware limited liability company with headquarters at One AT&T
13 Way, Bedminster, New Jersey 07921. It is a wholly-owned subsidiary of Teleport
14 Communications Group Inc., which is a wholly-owned subsidiary of AT&T Corp., which, in
15 turn, is a wholly owned subsidiary of AT&T Inc. AT&T Inc. is one of the largest providers of
16 telecommunications services in the world.

17 **DESCRIPTION OF THE MERGER**

18 3. As illustrated in Exhibit 1, TCG Phoenix and Teleport are each wholly owned
19 subsidiaries of Teleport Communications Group Inc., which is a wholly owned subsidiary of
20 AT&T Corp., which is a wholly-owned subsidiary of AT&T Inc. Under the proposed
21 transaction, on or about December 31, 2012, the assets, liabilities and operations of the

22 _____
23 ¹TCG Phoenix was authorized to provide and resell local exchange telecommunications services to both residential
24 and business customers in Arizona by Commission Order No. 59874 (October 29, 1996) and Commission Order No.
65631 (February 18, 2003).

1 Applicants will merge, with the surviving entity being Teleport. With the transaction, as shown
2 in Exhibit 1, there would be no change in the ultimate ownership and control of assets, liabilities
3 or operations of the merged companies.

4 ARIZONA EFFECTS & BENEFITS

5 4. As explained above, this merger is entirely internal to AT&T Inc., which is and
6 will remain the ultimate corporate parent of Teleport and, therefore, will retain complete indirect
7 ownership and control of the assets and operations used to provide regulated services in the State
8 of Arizona. The merger requires no new financing or re-financing and, therefore, will have no
9 impact on the company's ability to raise, or its cost of, necessary capital.

10 5. The merger will be seamless and transparent to Arizona customers. There will be
11 no change in the rates or terms and conditions under which TCG Phoenix currently serves
12 customers, either under tariff or contract, as a result of the merger. Once the merger is complete,
13 the same personnel who manage these services will continue to do so and there will be no change
14 in the network assets used to provide these services. As the surviving entity, Teleport will make
15 any necessary name changes to tariffs and contracts.

16 6. The only change that customers may notice will be a change in the name of their
17 provider – from TCG Phoenix to Teleport. Commencing on or about September 1, 2012, TCG
18 Phoenix plans to begin providing customers bill message notices of the name change.

19 7. When concluded, this merger will result in a more streamlined corporate structure
20 that will enable Teleport to: realize the administrative efficiencies incident to a less complex and
21 more flexible corporate structure; reduce the cost of maintaining multiple entities; and enable a
22 greater ability to compete in the highly competitive telecommunications service market.

1 **R14-2-803 INFORMATION**

2 8. Pursuant to R14-2-803.A.1-11, the Applicants submit the following in support of
3 their request for approval of the merger under the Affiliated Interest Rules²:

4 a. Names and Addresses of Proposed Officers and Directors: Attached as
5 Exhibit 2 is information concerning Teleport's directors and officers. Teleport's business
6 address is One AT&T Way, Bedminster, New Jersey 07921.

7 b. The Business Purposes for the Reorganization: The business purposes for
8 the merger have been described previously in this Application.

9 c. The Proposed Method of Financing the Holding Company and the
10 Resultant Capital Structure: The merger does not require any financing and will not change
11 Teleport's capital structure.

12 d. Effect on the Capital Structure of the Arizona Utilities: Teleport, which
13 will assume control of operations in Arizona, will remain a wholly-owned subsidiary of Teleport
14 Communications Group Inc. and will maintain the same capital structure.

15 e. Organization Chart: Pre- and post-merger organization charts are attached
16 as Exhibit 1.

17 f. Allocation of Taxes: Federal and State income tax allocations among
18 AT&T Inc. and its subsidiaries are consistent with the provisions of Treasury Regulation
19 Sections 1.1552-1(a)(3)(ii) and 1.1502-33(d)(2). The merger will not effect any change in the
20 current and historic method of income tax allocation to Teleport.

21 ² In Decision No. 60728 (March 23, 1998), TCG Phoenix was granted a limited waiver of the Affiliated Interest
22 Rules. Under this waiver, TCG Phoenix is only required to file a notice of intent when the contemplated
23 organization or reorganization is likely to have a material adverse impact on the Arizona public utility. As described
24 herein, the proposed merger will not have any materially adverse impacts on TCG Phoenix's operations.
Accordingly, this application is submitted without waiver of the Applicants' rights under Decision No. 60728 and
instead requests that the waiver granted in that decision be transferred to Teleport along with TCG Phoenix's other
assets.

1 g. Changes in Cost of Service/Cost of Capital: The merger will have no
2 impact on the cost of service or the cost of capital of Teleport.

3 h. Diversification Plans of Affiliates: Teleport has no current plans to
4 diversify its operations beyond the businesses in which TCG Phoenix is currently engaged.

5 i. Documents and Filings: AT&T is in the process of implementing similar
6 mergers of some of its other state-specific subsidiaries with Teleport, including seeking approval
7 of state regulatory agencies where required.

8 j. Investment in Affiliates: The merger will not affect investment in
9 Teleport's Arizona operations.

10 k. Access to Capital: Teleport will be able to attract capital on terms no less
11 favorable than prior to the merger. Adequate capital will continue to be available for
12 construction of any necessary new utility plant and necessary improvements at no greater cost
13 than today.

14 WHEREFORE, Applicants request that the Commission promptly issue its Order as
15 follows:

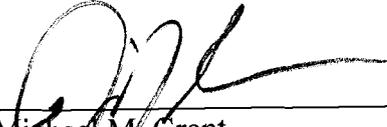
16 (1) Approving the merger of TCG Phoenix and Teleport pursuant to R14-2-803;
17 and

18 (2) Pursuant to A.R.S. § 40-285, approving the transfer of TCG Phoenix's assets
19 to Teleport, including without limitation, transfer of the Certificates of
20 Convenience and Necessity issued in Decision Nos. 59874 and 65361, as well
21 as transfer of TCG Phoenix's limited waiver of the Affiliated Interest Rules
22 granted in Decision No. 60728.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

RESPECTFULLY SUBMITTED this 27th day of July, 2012.

GALLAGHER & KENNEDY, P.A.

By 
Michael M. Grant
Jennifer A. Cranston
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for AT&T Inc.

Original and 13 copies filed this
27th day of July, 2012, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copies of the foregoing delivered
this 27th day of July, 2012, to:

Wes Van Cleve
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Elijah Abinah
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Terri Ford
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

1 Armando Fimbres
Utilities Division
2 Arizona Corporation Commission
1200 West Washington Street
3 Phoenix, Arizona 85007

4 Deu Deasell

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

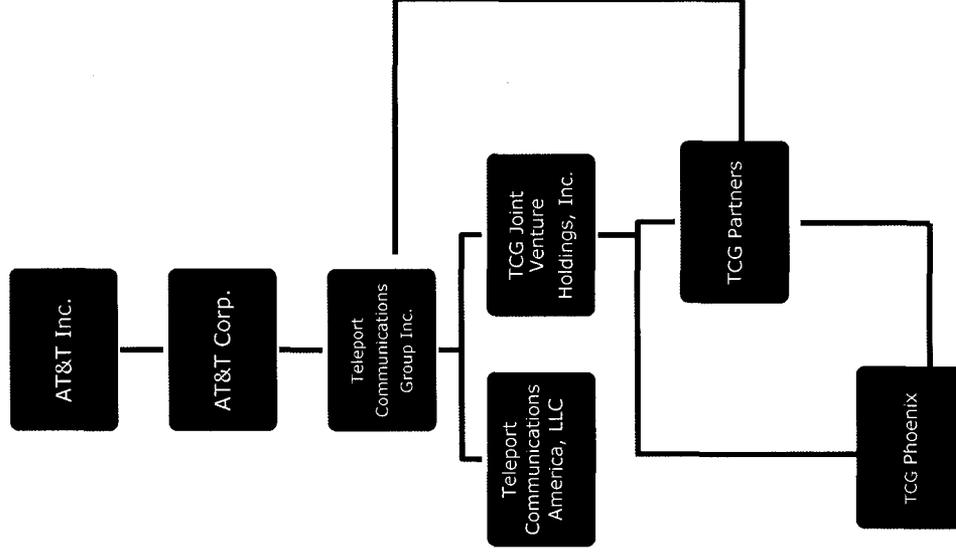
22

23

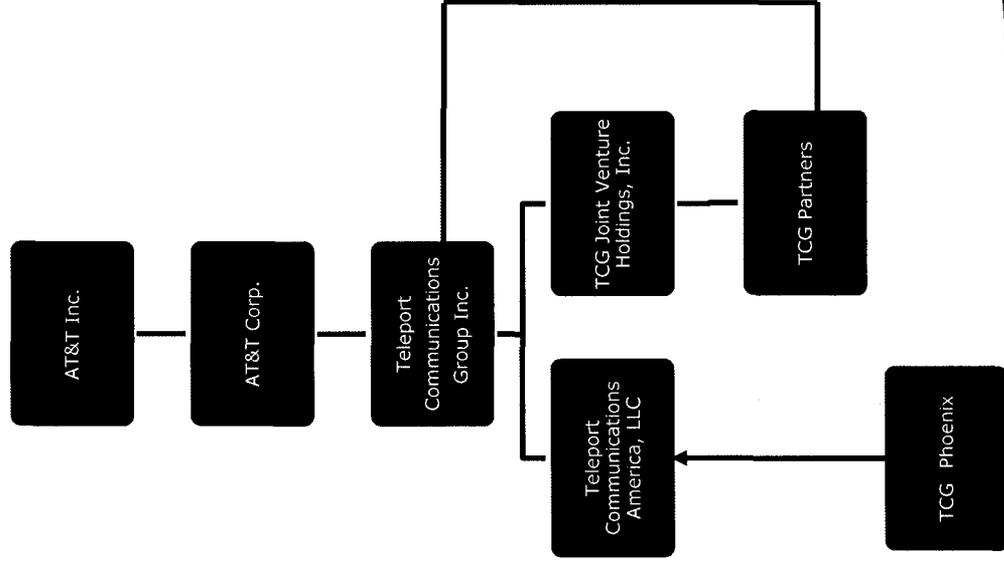
24

EXHIBIT 1

Currently, Teleport Communications America, LLC is directly owned by Teleport Communications Group Inc. (100%) and TCG Phoenix is directly owned by TCG Joint Venture Holdings, Inc. (65%) and TCG Partners (35%)



TCG Phoenix will be merged into Teleport Communications America, LLC. All other affiliate ownership interests in TCG Phoenix will cease to exist.



Teleport Communications America, LLC will be the surviving entity and will remain a wholly owned subsidiary of Teleport Communications Group Inc.

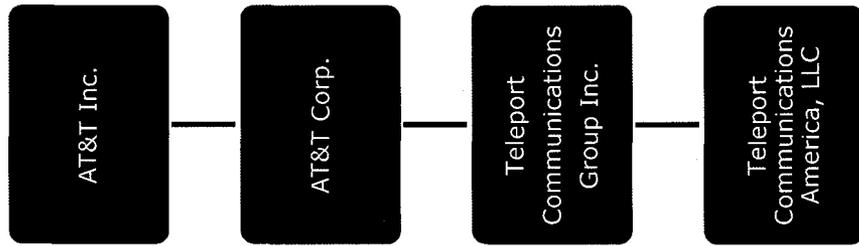


EXHIBIT 2

Teleport Communications America, LLC**Officers**

Anthony Fea		President
Effective:	5/25/2012	200 S. Laurel Ave., Bldg D, D3-3D05, Middletown, NJ 07748
Russ McFadden		Vice President - Corporate Real Estate
Effective:	5/25/2012	308 S. Akard St., #2317, Dallas, TX 75202
Leonard Weitz		Vice President
Effective:	5/25/2012	1 AT&T Way, 3A121, Bedminster, NJ 07921
James F. Dionne		Chief Financial Officer
Effective:	5/25/2012	1 AT&T Way, 2B119, Bedminster, NJ 07921
George B. Goeke		Treasurer
Effective:	5/25/2012	208 S. Akard St., #2726, Dallas, TX 75202
Jeston Dumas		Assistant Treasurer
Effective:	5/25/2012	208 Akard St., #2725, Dallas, TX 75202
Elaine Lou		Assistant Treasurer
Effective:	5/25/2012	208 S. Akard St., #2712, Dallas, TX 75202
Michele M. Blazek		Assistant Secretary
Effective:	5/25/2012	2600 Camino Ramon, 3E453, San Ramon, CA 94583
David M. Eppsteiner		Assistant Secretary
Effective:	5/25/2012	675 W. Peachtree St. NW, #43-330, Atlanta, GA 30308
James R. Friend		Assistant Secretary
Effective:	5/25/2012	Topeka, KS 66607 (VO) no address listed
Robert Murphy		Assistant Secretary
Effective:	5/25/2012	1 AT&T Way, 2B116F, Bedminster, NJ 07921
Paul M. Wilson		Assistant Secretary
Effective:	5/25/2012	208 S. Akard St., #3030, Dallas, TX 75202
Wayne A. Wirtz		Secretary
Effective:	5/25/2012	208 S. Akard St., #3024, Dallas, TX 75202
Christopher Vrana		Assistant Secretary - R.E.

Teleport Communications America, LLC

Effective: 5/25/2012 1 AT&T Way, 3A128, Bedminster, NJ 07921

Karen Diorio**Assistant Secretary-Tax**

Effective: 5/25/2012 1 AT&T Way, #4A248, Bedminster, NJ 07921

Richard J. Sinton**Assistant Secretary-Tax**

Effective: 5/25/2012 1 AT&T Way, #3A171, Bedminster, NJ 07921

Jeffrey Tutnauer**Assistant Secretary-Tax**

Effective: 5/25/2012 1AT&T Way, #4A229, Bedminster, NJ 07921

Gary Wiggins**Assistant Secretary-Tax**

Effective: 5/25/2012 1 AT&T Way, #4A234, Bedminster, NJ 07921

Managers**Anthony Fea****Manager**

Effective: 5/25/2012 200 S. Laurel Ave., Bldg. D, D3-3D05, Middletown, NJ 07748