

Transcript Exhibi



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Docket #(s): T-02428A-12-0234

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Arizona Corporation Commission
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MEMORANDUM
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TO: Docket Control
FROM: Steven M. Olea
Director
Utilities Division

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DATE: August 3, 2012

RE: IN THE MATTER OF THE APPLICATION OF AT&T COMMUNICATIONS OF THE MOUNTAIN STATES, INC. AND AT&T CORP. FOR APPROVAL OF A PROPOSED CORPORATE REORGANIZATION AND MERGER (DOCKET NO. T-02428A-12-0234)

Staff recommends approval of the proposed reorganization and merger by AT&T Communications of the Mountain States, Inc. with AT&T Corp. Staff also recommends that the Certificates of Convenience & Necessity granted by the Arizona Corporation Commission to AT&T Communications of the Mountain States, Inc. be transferred to AT&T Corp.

SMO:AFF:tdp

Originator: Armando Fimbres

Attachment: Original and Thirteen Copies

Arizona Corporation Commission
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SERVICE LIST FOR: AT&T COMMUNICATIONS OF THE MOUNTAIN STATES, INC.
DOCKET NO.: T-02428A-12-0234

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

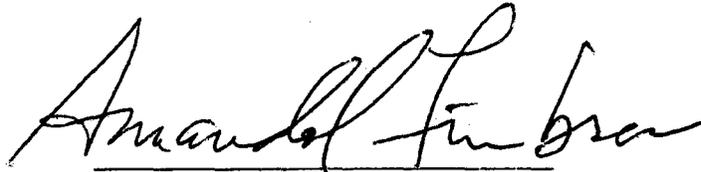
AT&T COMMUNICATIONS OF THE MOUNTAIN STATES, INC.
DOCKET NO. T-02428A-12-0234

IN THE MATTER OF THE APPLICATION OF AT&T COMMUNICATIONS OF THE
MOUNTAIN STATES, INC. AND AT&T CORP. FOR APPROVAL OF A PROPOSED
CORPORATE REORGANIZATION AND MERGER.

AUGUST 3, 2012

STAFF ACKNOWLEDGMENT

The Staff Report for AT&T Communications of the Mountain States, Inc., Docket No. T-02428A-12-0234, was the responsibility of the Staff member listed below.

A handwritten signature in black ink, appearing to read "Armando Fimbres". The signature is written in a cursive style with a horizontal line underneath it.

Armando Fimbres
Public Utility Analyst V

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BACKGROUND

On June 8, 2012, AT&T Communications of the Mountain States, Inc. ("AT&T Mountain States") and its parent, AT&T Corp., (collectively, the "Applicants") filed an application seeking approval by the Arizona Corporation Commission ("ACC" or "Commission") for the proposed merger of AT&T Mountain States into AT&T Corp. pursuant to the A.A.C. R14-2-801, et seq. (the "Affiliated Interest Rules") and A.R.S. § 40-285. The Applicants also request that the Certificates of Convenience & Necessity ("CC&Ns") granted by the Commission to AT&T Communications of the Mountain States, Inc. be transferred to AT&T Corp. On June 28, 2012, the Applicants filed a Supplement to their Application to clarify a Decision Number referenced in their June 8, 2012 Application.

THE PARTIES

AT&T Mountain States is a Colorado corporation with headquarters at One AT&T Way, Bedminster, N.J. 07921. It is a wholly-owned subsidiary of AT&T Corp. AT&T Mountain States currently provides facilities-based local exchange and long distance telecommunications services in Arizona pursuant to CC&Ns granted in Decision No. 53880 (January 3, 1984), Decision No. 59445 (December 20, 1995), and Decision No. 60042 (February 5, 1997).

AT&T Corp. is a New York corporation with headquarters at One AT&T Way, Bedminster, N.J. 07921. AT&T Corp. is a wholly-owned subsidiary of AT&T Inc. (formerly SBC Communications Inc.), one of the largest providers of telecommunications services in the world. AT&T Corp., through its subsidiaries, is authorized to provide domestic and international telecommunications services throughout the United States.

THE TRANSACTION

AT&T Corp. is the sole stockholder of AT&T Mountain States. The proposed transaction will involve only AT&T affiliates. AT&T Corp. will merge with AT&T Mountain States, with the surviving entity being AT&T Corp. The Applicant is expected to implement the reorganization on or about October 31, 2012.

The proposed merger is entirely internal to AT&T Inc. AT&T Inc. will remain the ultimate corporate parent of AT&T Corp. The indirect ownership and control of the assets and operations used to provide regulated services in the State of Arizona will not change. The merger requires no new financing or re-financing and, therefore, will have no impact on AT&T Corp.'s ability to raise capital or its cost of capital.

The merger should be seamless and transparent to Arizona customers. There will be no change in the rates or terms and conditions under which AT&T Corp., through AT&T Mountain States, currently serves customers either under tariff or contract as a result of the merger. Once the merger is complete, the same personnel who manage these services will continue to do so and there will be no change in the network assets used to provide these services. As the surviving entity, AT&T Corp. will make any necessary name changes to tariffs. The only

change that customers may notice will be a change in the name of their provider - from AT&T Mountain States to AT&T Corp.

Beginning June 1, 2012, AT&T Mountain States began providing customers bill message notices of the name change. When concluded, the proposed merger will result in a more streamlined corporate structure.

STAFF ANALYSIS

The Applicants submitted the information required by A.A.C. R14-2-803.A.1-11. Given this information, Staff does not believe the proposed reorganization will negatively impact the operations of AT&T Mountain States.

A.R.S. § 40-285 requires public service corporations to obtain Commission authorization to assign or dispose of a utility's assets as proposed by the merger in this transaction. The statute serves to protect captive customers from a utility's act to dispose of any of its assets that are necessary for the provision of service; thus, it serves to preempt any service impairment due to disposal of assets essential for providing service. The proposed reorganization will only change the ownership of AT&T Mountain States assets by AT&T Corp. from indirect to direct. As such, Staff does not believe the proposed reorganization will negatively impact the operations of AT&T Mountain States.

The proposed reorganization requires Commission approval of the transfer of CC&Ns, granted in Decision Nos. 53880, 59445 and 60042, from AT&T Mountain States to AT&T Corp. Since the proposed reorganization will not result in a change in assets, services or management, customers will not be impacted.

RECOMMENDATIONS

Staff recommends approval of the proposed reorganization. Additionally, Staff recommends approval of the transfer of AT&T Mountain States' CC&Ns granted in Decision Nos. 53880, 59445 and 60042 to AT&T Corp.

1 AT&T COMMUNICATIONS OF THE MOUNTAIN STATES, INC.

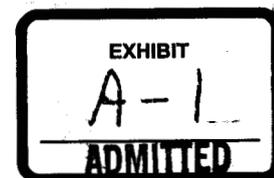
2 AND AT&T CORP.

3 TESTIMONY OF SHARON L. MULLIN

4 BEFORE THE ARIZONA CORPORATION COMMISSION

5 DOCKET NO. T-02428A-12-0234

6 August 8, 2012



7 **Q. PLEASE STATE YOUR NAME, YOUR EMPLOYER AND YOUR**
8 **BUSINESS ADDRESS.**

9 A. My name is Sharon L. Mullin. I am employed by AT&T Services, Inc. as Director
10 – Regulatory. My business address is 2003 Point Bluff, Austin, Texas 78746.

11 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND**
12 **AND EXPERIENCE.**

13 A. I have over 30 years' experience in the telecommunications industry. I am
14 currently responsible for directing AT&T's regulatory affairs in the states of
15 Washington, Arizona, New Mexico, Oregon and Utah for all of AT&T's
16 operations.

17 I hold a Master of Science in Management from the Krannert School of Business,
18 Purdue University in W. Lafayette, Indiana and a Bachelor of Science from the
19 University of Texas in Austin, Texas. I began my career in telecommunications in
20 1977 with Southwestern Bell Telephone Company in the Marketing/Sales

1 organization. In 1984, I accepted a position in AT&T's External Affairs
2 organization, where I have held different positions with responsibility for various
3 regulatory and legislative activities in the states of Texas, Oklahoma, Kansas,
4 Arkansas, Missouri, Arizona, Colorado, Hawaii, Idaho, Minnesota, Montana, New
5 Mexico, Oregon, Utah, Washington and Wyoming. During this time, I have
6 handled diverse telecommunications issues, including access charge issues,
7 competitive issues and the regulation of telecommunications carriers, as well as the
8 development and interpretation of regulatory and legislative policy as it applies to
9 AT&T.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of my testimony is to provide information in support of the Verified
12 Application of AT&T Communications of the Mountain States, Inc. ("AT&T
13 Mountain States") and AT&T Corp. dated June 8, 2012, as supplemented on June
14 28, 2012, for an Order approving the merger of AT&T Mountain States and AT&T
15 Corp. to occur on or about October 31, 2012 and granting the related relief
16 requested in that Application.

17 **Q. PLEASE GIVE A BRIEF OVERVIEW OF AT&T MOUNTAIN STATES.**

18 A. AT&T Mountain States is a Colorado corporation and is a wholly-owned
19 subsidiary of AT&T Corp. It provides facilities-based local exchange and long
20 distance telecommunications services in Arizona pursuant to Certificates of

1 Convenience and Necessity (“CC&Ns”) granted in Decision Nos. 53880, 59445
2 and 60042.

3 **Q. PLEASE GIVE A BRIEF OVERVIEW OF AT&T CORP.**

4 A. AT&T Corp. is a New York corporation which is a wholly-owned subsidiary of
5 AT&T Inc. AT&T Corp. does not provide telecommunications services in
6 Arizona.

7 **Q. WHAT ARE AT&T MOUNTAIN STATES AND AT&T CORP. ASKING**
8 **THIS COMMISSION TO DO?**

9 A. AT&T Mountain States intends to merge into AT&T Corp. on or about October 31,
10 2012. As part of that merger, AT&T Mountain States intends to merge all of its
11 assets, including without limitation, accounts receivable, customer base and all
12 certificates and authorizations, into AT&T Corp. AT&T Mountain States and
13 AT&T Corp. are asking the Commission to approve this merger and to approve the
14 transfer of AT&T Mountain States’ assets to AT&T Corp., including transfer of the
15 CC&Ns issued in Decision Nos. 53880, 59445 and 60042, as well as transfer of the
16 AT&T Mountain States’ limited waiver of the Affiliated Interest Rules granted in
17 Decision No. 58258.

1 **Q. WHY DO AT&T MOUNTAIN STATES AND AT&T CORP. WANT TO**
2 **ACCOMPLISH THIS MERGER?**

3 A. The primary purposes behind the proposed merger are to enhance customer
4 satisfaction and the companies' efficiency.

5 AT&T Mountain States is one of more than 20 AT&T affiliates that currently offer
6 competitive local exchange services, intraLATA services, interexchange services
7 and/or calling card services in over 40 states and the District of Columbia. We
8 want to merge AT&T Mountain States and the various other AT&T affiliates into a
9 single affiliate – AT&T Corp. – that will offer these services.

10 This consolidation will benefit customers by greatly streamlining the number of
11 AT&T's entities that offer competitive local exchange, intraLATA, interexchange
12 and calling card services. It will enhance AT&T Corp.'s ability to provide those
13 services through a more efficient corporate structure. It will also allow us to
14 simplify customer offers and reduce customer confusion.

15 **Q. PLEASE GIVE THE COMMISSION SOME EXAMPLES OF HOW THE**
16 **MERGER WILL IMPROVE CORPORATE EFFICIENCIES.**

17 A. The merger will allow AT&T to streamline internal processes related to corporate
18 tax and regulatory reporting obligations, thus resulting in corporate efficiencies. In
19 addition, post-merger, the single legal entity structure will better mirror operations

1 and accounting processes, which removes a layer of record keeping and reduces the
2 complexity for internal transactions.

3 **Q. HOW WILL THE MERGER SIMPLIFY CUSTOMER OFFERS AND**
4 **REDUCE CUSTOMER CONFUSION?**

5 A. As a nationwide company with a nationwide facilities-based network, AT&T
6 presents itself to customers as a single company. However, the entity's structure,
7 as it exists today, is regional and jurisdictionally overlapping, with complicated
8 cost allocation and revenue sharing arrangements. The merger will simplify the
9 structure of AT&T Corp. across the country. Two examples of reduced customer
10 confusion will be: (1) elimination of the multiple affiliate names that customers see
11 in tariffs or service guides across the country and (2) simplified contractual
12 language about the entity which is providing the service.

13 **Q. WILL THE MERGER OF AT&T MOUNTAIN STATES INTO AT&T**
14 **CORP. NEGATIVELY IMPACT THE PROVISION OF**
15 **TELECOMMUNICATIONS SERVICES IN ARIZONA?**

16 A. No. This corporate change is entirely internal to AT&T, Inc. and will not impact
17 the provision of telecommunications services in Arizona. There will be no change
18 in the ultimate ownership, control or management or day-to-day operations.
19 Service will be provided using the same network, billing systems and customer
20 service operations used by AT&T Mountain States today. After the merger is
21 complete, AT&T Corp. will provide current customers with the services they are

1 currently receiving pursuant to the contracts and tariffs that offer such services
2 under the same rates, terms and conditions as these customers currently receive.

3 **Q. AFTER THE MERGER IS COMPLETE, WILL AT&T CORP. HAVE THE**
4 **TECHNICAL AND MANAGERIAL RESOURCES SUFFICIENT TO**
5 **PROVIDE THE SERVICES THAT AT&T MOUNTAIN STATES**
6 **CURRENTLY PROVIDES?**

7 A. Yes. All of the technical and managerial resources of AT&T Mountain States will
8 be merged into AT&T Corp. upon completion of the merger.

9 **Q. AFTER THE MERGER IS COMPLETE, WILL AT&T CORP. HAVE**
10 **FINANCIAL RESOURCES SUFFICIENT TO PROVIDE THE SERVICES**
11 **THAT AT&T MOUNTAIN STATES CURRENTLY IS PROVIDING?**

12 A. Yes. All of the financial resources of AT&T Mountain States will be merged into
13 AT&T Corp. upon completion of the merger. The merger requires no new
14 financing and will have no impact on the company's ability to raise, or its cost of,
15 necessary capital.

16 **Q. HAVE AT&T MOUNTAIN STATES' CUSTOMERS BEEN GIVEN**
17 **NOTICE OF THE IMPENDING MERGER?**

18 A. Yes. As we discussed in our Application, beginning June 1, 2012, AT&T
19 Mountain States began providing customers bill message notices of the name

1 change associated with the merger. We are also in the process of publishing notice
2 of the application.

3 **Q. AFTER THE MERGER IS COMPLETE, WILL AT&T CORP. MAKE ANY**
4 **TARIFF FILINGS AS A RESULT OF THE MERGER?**

5 A. Yes. After the merger is complete, AT&T Corp. will make appropriate filings to
6 convert any AT&T Mountain States' tariffs that may exist to AT&T Corp. tariffs.

7 **Q. PLEASE PROVIDE THE COMPANIES' RESPONSE TO THE STAFF**
8 **REPORT WHICH WAS FILED IN THIS DOCKET ON AUGUST 3, 2012.**

9 A. We appreciate Staff's prompt issuance of its report and certainly agree with the
10 recommendation that the Commission approve the proposed reorganization
11 pursuant to R14-2-803, as well as the transfer of assets pursuant to A.R.S. § 40-285
12 from AT&T Mountain States to AT&T Corp. Further, as I've indicated, we also
13 agree with Staff's conclusion that "the proposed merger will result in a more
14 streamlined corporate structure."

15 **Q. IN SUMMARY, WHAT DO AT&T MOUNTAIN STATES AND AT&T**
16 **CORP. ASK THAT THE COMMISSION DO?**

17 A. We request that the Commission enter its Order: (1) approving the merger of
18 AT&T Mountain States and AT&T Corp. pursuant to R14-2-803 and (2) approving
19 the transfer of AT&T Mountain States' assets to AT&T Corp., including without
20 limitation, transfer of the CC&Ns issued in Decision Nos. 53880, 59445 and

1 60042, as well as transfer of the AT&T Mountain States' limited waiver of the
2 Affiliated Interest Rules which the Commission granted in Decision No. 58258.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 **A. Yes.**