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BEFORE THE ARIZONA CORPORATION C

1
2 GARY PIERCE
3 Chairman
4 BOB STUMP
5 Commissioner
6 SANDRA D. KENNEDY
7 Commissioner
8 PAUL NEWMAN
9 Commissioner
10 BRENDA BURNS
11 Commissioner

Arizona Corporation Commission

DOCKETED

OCT 17 2012

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8 IN THE MATTER OF THE APPLICATION)
9 OF TCG PHOENIX AND TELEPORT)
10 COMMUNICATIONS AMERICA, LLC FOR)
11 APPROVAL OF A PROPOSED)
12 CORPORATE REORGANIZATION AND)
13 MERGER.)

DOCKET NOS. T-03016A-12-0342

DECISION NO. 73557

ORDER

14
15 Open Meeting
16 October 16 and October 17, 2012
17 Phoenix, Arizona

18 BY THE COMMISSION:

FINDINGS OF FACT

19 1. On July 27, 2012, TCG Phoenix and Teleport Communications America, LLC
20 ("Teleport") (collectively, the ("Applicants") filed an application seeking approval by the Arizona
21 Corporation Commission ("ACC" or "Commission") for the proposed merger of TCG Phoenix
22 into Teleport pursuant to A.A.C. R14-2-801, et seq. (the "Affiliated Interest Rules") and A.R.S. §
23 40-285.

24 2. The Applicants also request that the Certificates of Convenience & Necessity
25 ("CC&Ns") and limited waiver of the Affiliated Interest Rules granted by the Commission to TCG
26 Phoenix be transferred to Teleport.

27 3. No Party has sought intervention in this matter.
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1 Background

2 4. TCG Phoenix is a New York general partnership with headquarters at One AT&T
3 Way, Bedminster, New Jersey 07921. The partners of TCG Phoenix are TCG Joint Venture
4 Holdings, Inc., a Delaware corporation, and TCG Partners, a New York general partnership. Each
5 is a subsidiary of Teleport Communications Group Inc., which is a wholly-owned subsidiary of
6 AT&T Corp., which, in turn is a wholly-owned subsidiary of AT&T Inc.

7 5. TCG Phoenix provides local exchange and resold interexchange
8 telecommunications services and products to business and government customers in Arizona. The
9 partnership interests in TCG Phoenix are not publicly traded.

10 6. Teleport is a Delaware limited liability company with headquarters at One AT&T
11 Way, Bedminster, New Jersey 07921. Teleport is a wholly-owned subsidiary of Teleport
12 Communications Group Inc., a wholly-owned subsidiary of AT&T Corp., which, in turn, is a
13 wholly owned subsidiary of AT&T Inc.

14 The Transaction

15 7. Under the proposed transaction, on or about December 31, 2012, the assets,
16 liabilities and operations of the Applicants will merge, with the surviving entity being Teleport.
17 There would be no change in the ultimate ownership and control of assets, liabilities or operations
18 of the merged companies.

19 8. The proposed merger is entirely internal to AT&T Inc. AT&T Inc. will remain the
20 ultimate corporate parent of Teleport. Therefore, AT&T Inc. will retain complete indirect
21 ownership and control of the assets and operations used to provide regulated services in the State
22 of Arizona. The merger requires no new financing or re-financing and, therefore, will have no
23 impact on the company's ability to raise capital or its cost of capital.

24 9. The merger should be seamless and transparent to Arizona customers. There will be
25 no change in the rates or terms and conditions under which TCG Phoenix currently serves
26 customers either under tariff or contract as a result of the merger. Once the merger is complete, the
27 same personnel who manage these services will continue to do so and there will be no change in
28 the network assets used to provide these services. As the surviving entity, Teleport will make any

1 necessary name changes to tariffs. The only change that customers may notice will be a change in
2 the name of their provider - from TCG Phoenix to Teleport.

3 10. TCG began including a name change notice in customer bills on September 1,
4 2012. The notice will be included in subsequent bills through the end of the year. In addition,
5 after consultation with Staff, TCG mailed notices directly to all customers to inform them that they
6 may intervene in this case and appear at the Commission's Open Meeting and offer comment in
7 support or opposition to the proposed merger. The Notice also informed customers that they could
8 offer written comment at any time through a filing referencing this docket filed with Docket
9 Control. The customer notices were mailed on September 21, 2012.

10 Staff's Analysis and Conclusions

11 11. The Applicants submitted the information required by A.A.C. R14-2-803.A.1-11.
12 Staff does not believe the proposed reorganization will negatively impact the operations of TCG
13 Phoenix.

14 12. A.R.S. § 40-285 requires public service corporations to obtain Commission
15 authorization to assign or dispose of a utility's assets as proposed by the merger in this transaction.
16 The statute serves to protect captive customers from a utility's act to dispose of any of its assets
17 that are necessary for the provision of service; thus, it serves to preempt any service impairment
18 due to disposal of assets essential for providing service.

19 13. The proposed reorganization will change the direct ownership of TCG Phoenix
20 from TCG Joint Venture Holdings, Inc. and TCG Partners to Teleport but the indirect and ultimate
21 ownership by AT&T Inc. will change. As such, Staff does not believe the proposed reorganization
22 will negatively impact the operations of TCG Phoenix.

23 14. The proposed reorganization requires Commission approval for the transfer of
24 CC&Ns, granted in Decision Nos. 59874 and 65631, from TCG Phoenix to Teleport. As the
25 proposed reorganization is entirely internal to AT&T Inc. a change in assets, services or
26 management, customers will not be impacted.

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ORDER

IT IS THEREFORE ORDERED that the application of TCG Phoenix and Teleport Communications America, LLC seeking approval for the proposed merger of TCG Phoenix into Teleport Communications America, LLC pursuant to A.A.C. R14-2-801, et seq. and A.R.S. § 40-285 be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that the Certificates of Convenience & Necessity granted to TCG Phoenix in Decision Nos. 59874 and 65631 be transferred to Teleport Communications America, LLC; and Teleport Communications America, LLC shall be subject to the same CC&N conditions placed on TCG Phoenix in Decision Nos. 59874 and 65631.

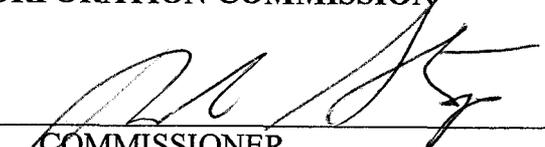
1 IT IS FURTHER ORDERED that the bond requirements (and other requirements) imposed
2 on TCG Phoenix in Decision No. 68269 shall also apply to Teleport Communications America,
3 LLC. Teleport shall file a new bond which complies with this requirement within 90 days of the
4 Commission's Order approving the proposed merger.

5 IT IS FURTHER ORDERED that the limited waiver granted to TCG Phoenix in Decision
6 No. 60728 be transferred to Teleport Communications America, LLC.

7 IT IS FURTHER ORDERED that this Decision shall be become effective immediately.
8

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

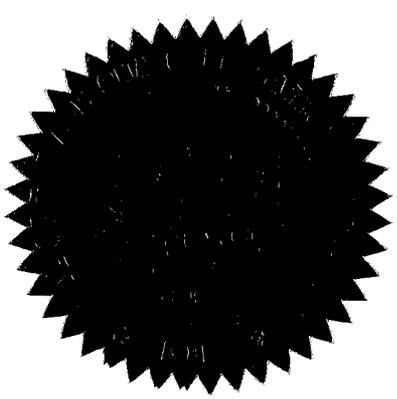
10 
11 CHAIRMAN

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13 COMMISSIONER

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15 COMMISSIONER

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17 COMMISSIONER

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19 COMMISSIONER



20 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
21 Executive Director of the Arizona Corporation Commission,
22 have hereunto, set my hand and caused the official seal of
23 this Commission to be affixed at the Capitol, in the City of
24 Phoenix, this 17th day of October, 2012.

25 
26 ERNEST G. JOHNSON
27 EXECUTIVE DIRECTOR

28 DISSENT: _____

DISSENT: _____

SMO:AFF:sms

1 SERVICE LIST FOR: TCG Phoenix
2 DOCKET NO. T-03016A-12-0342

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