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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

Arizona Corporation Commission

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IN THE MATTER 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

DECISION NO. 73558

OPINION AND ORDER

DATE OF HEARING: September 7, 2012
PLACE OF HEARING: Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE: Teena Jibilian
APPEARANCES: Mr. Michael M. Grant, GALLAGHER & KENNEDY, P.A., on behalf of Applicants; and
Mr. Wesley C. Van Cleve, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

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 June 8, 2012, AT&T Communications of the Mountain States, Inc. ("AT&T Mountain States") and its parent company, AT&T Corp. (collectively, "Applicants") filed an application for Commission approval of a proposed corporate reorganization and merger of AT&T Mountain States into AT&T Corp. pursuant to A.A.C. R14-2-801, et seq. (the "Affiliated Interest Rules"). Applicants also request that the assets of AT&T Mountain States be transferred to AT&T Corp. pursuant to A.R.S. § 40-285, that the Certificates of Convenience and Necessity ("CC&N") granted by the Commission to AT&T Mountain States be transferred to AT&T Corp., and that the

1 limited waiver of the Affiliated Interest Rules granted to AT&T Mountain States in Decision No.
2 58258 (April 8, 1993) be transferred to AT&T Corp.

3 2. On June 28, 2012, Applicants filed a Supplement to the Application to clarify a
4 Decision Number referenced in the June 8, 2012 Application.

5 3. On July 11, 2012, Applicants filed a Request for Procedural Conference.

6 4. On July 13, 2012, a Procedural Order was issued setting a procedural conference to be
7 held on July 17, 2012.

8 5. A procedural conference convened as scheduled at the Commission's offices on July
9 17, 2012. Applicants and the Commission's Utilities Division ("Staff") appeared through counsel.
10 The parties discussed procedural matters related to processing the application and public notice
11 requirements.

12 6. On August 3, 2012, Staff filed its Staff Report on the application, recommending
13 approval.

14 7. On August 6, 2012, a Procedural Order was issued setting a hearing on the application,
15 setting associated procedural deadlines, and ordering the publication of notice of the application and
16 hearing.

17 8. On August 9, 2012, Applicants filed the direct testimony of Sharon Mullin.

18 9. On August 15, 2012, Applicants filed affidavits of publication, indicating that the
19 required public notice was published in the *Arizona Daily Star* and in the *Arizona Capitol Times* on
20 August 10, 2012.

21 10. No intervention requests or public comments were filed.

22 11. On September 5, 2012, Applicants filed a Notice of Filing Testimony Summary.

23 12. The hearing on the application commenced as scheduled on September 7, 2012, and
24 concluded on that date. No members of the public appeared to provide public comment. Applicants
25 and Staff appeared through counsel, submitted evidence for the record, and were provided the
26 opportunity to cross examine witnesses. One witness testified on behalf of AT&T Mountain States
27 and AT&T Corp., and one witness testified on behalf of Staff. At the conclusion of the hearing,
28 Applicants and Staff were provided the opportunity to make closing statements. Applicants waived

1 the 10-day timeframe in which to file exceptions to a Recommended Opinion and Order.

2 13. On September 21, 2012, AT&T Corp. filed a Statement Concerning Bond
3 Requirements.

4 14. AT&T Mountain States is a Colorado corporation which is a wholly-owned subsidiary
5 of AT&T Corp. AT&T Mountain States currently provides facilities-based local exchange and long
6 distance telecommunications services in Arizona pursuant to CC&Ns granted in Decision No. 53880
7 (January 3, 1984) (limited intrastate interLATA services), Decision No. 59445 (December 20, 1995)
8 (competitive intraLATA services except local exchange services), and Decision No. 60042 (February
9 5, 1997) (competitive local exchange services).

10 15. AT&T Corp. is a New York corporation which is a wholly-owned subsidiary of
11 AT&T Inc. (formerly known as SBC Communications, Inc.). AT&T Corp., through its subsidiaries,
12 is authorized to provide domestic and international telecommunications services throughout the
13 United States.

14 16. The application states that the proposed corporate reorganization and merger is part of
15 a multi-state initiative to consolidate in AT&T Corp. the provision of telephone services that are
16 currently provided through multiple and duplicative state-specific subsidiaries of AT&T Corp.

17 17. The proposed corporate reorganization and merger will involve only AT&T affiliates.
18 Following the proposed corporate reorganization and merger, AT&T Corp. will be the surviving
19 entity and will remain a wholly owned subsidiary of AT&T Inc. Applicants expect to implement the
20 proposed reorganization on or about October 31, 2012.

21 18. Staff states in the Staff Report that the indirect ownership and control of the assets and
22 operations used to provide regulated services in the State of Arizona will not change. The proposed
23 corporate reorganization and merger requires no new financing or refinancing and, therefore, will
24 have no impact on AT&T Corp.'s ability to raise capital, or on its cost of capital.

25 19. The application states that the proposed corporate reorganization and merger will be
26 seamless and transparent to Arizona customers, as there will be no change in the rates or terms and
27 conditions under which AT&T Corp., through AT&T Mountain States, currently serves customers as
28 a result of the merger. Applicants state that once the merger is complete, the same personnel who

1 manage the provision of services will continue to do so, and there will be no change in the network
2 assets used to provide the services.

3 20. The application states that the only change customers may notice will be a change in
4 the name of their provider, from AT&T Mountain States to AT&T Corp., and that AT&T Corp., as
5 the surviving entity, will make any necessary name changes to tariffs following the merger.
6 Applicants state that AT&T Mountain States began providing customers bill message notices of the
7 name change beginning June 1, 2012.

8 21. Staff states that Applicants submitted the information required by A.A.C. R14-2-
9 803.A., and that based on an analysis of the application and the required information, Staff does not
10 believe the proposed corporate reorganization and merger will negatively impact the operations of
11 AT&T Mountain States.

12 22. Staff states that because the proposed corporate reorganization and merger will only
13 change the ownership of AT&T Mountain States to AT&T Corp. from indirect ownership to direct
14 ownership, the proposed reorganization will not negatively impact the operations of AT&T Mountain
15 States. Staff therefore recommends approval of the asset transfer pursuant to A.R.S. § 40-285.

16 23. The application requests Commission approval of the transfer of CC&N authority
17 granted in Decision Nos. 53880, 59445 and 60042, from AT&T Mountain States to AT&T Corp.
18 Because the proposed reorganization will not result in a change in assets, services or management,
19 customers will not be impacted, and Staff recommends approval of the transfers of authority from
20 AT&T Mountain States to AT&T Corp.

21 24. Staff states that the circumstances that will exist after the proposed corporate
22 reorganization and merger will continue to warrant the limited waiver granted in Decision No. 58258,
23 and therefore recommends approval of Applicants' request to transfer the limited waiver of the
24 Affiliated Interest Rules granted to AT&T Mountain States in Decision No. 58258 to AT&T Corp.

25 25. Decision No. 68269 (November 8, 2005) ordered AT&T Mountain States to, within
26 30 days of closing of the transaction approved in Decision No. 68269, procure a performance bond of
27 \$200,000, to be increased in increments of \$100,000, when the total amount of any customer
28 advances, deposits and prepayments is within \$20,000 of the bond amount.

1 advances, deposits and prepayments is within \$20,000 of the bond amount.

2 **ORDER**

3 IT IS THEREFORE ORDERED that the application of AT&T Communications of the
4 Mountain States, Inc. and AT&T Corp. for approval of the corporate reorganization and merger
5 described herein is hereby approved.

6 IT IS FURTHER ORDERED that the authority granted to AT&T Communications of the
7 Mountain States, Inc. in the Certificates of Convenience and Necessity granted in Decision Nos.
8 53880, 59445, and 60042 is hereby transferred to AT&T Corp.

9 IT IS FURTHER ORDERED that AT&T Communications of the Mountain States, Inc. is
10 hereby granted authority to transfer its assets to AT&T Corp. pursuant to A.R.S. § 40-285.

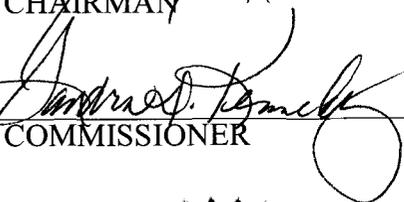
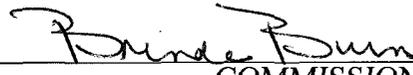
11 IT IS FURTHER ORDERED that the limited waiver of the Affiliated Interest Rules granted
12 to AT&T Mountain States in Decision No. 58258 is hereby transferred to AT&T Corp.

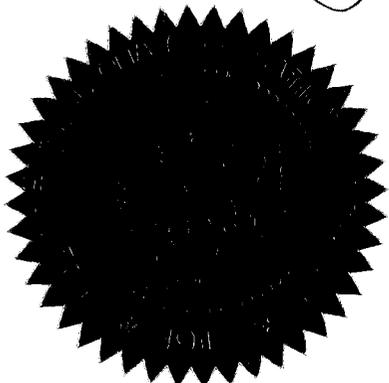
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1 IT IS FURTHER ORDERED that AT&T Corp. shall, within 30 days of close of the corporate
2 reorganization and merger, obtain and maintain a performance bond in the amount of \$200,000, to be
3 increased in increments of \$100,000 when the total amount of any customer advances, deposits and
4 prepayments is within \$20,000 of the bond amount; and shall file with the Commission's Docket
5 Control Center, no later than December 31, 2012, certification of compliance with this requirement.

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

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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10  CHAIRMAN  COMMISSIONER
11  COMMISSIONER  COMMISSIONER  COMMISSIONER
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14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
15 Executive Director of the Arizona Corporation Commission,
16 have hereunto set my hand and caused the official seal of the
17 Commission to be affixed at the Capitol, in the City of Phoenix,
18 this 17th day of October 2012.

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21 ERNEST G. JOHNSON
22 EXECUTIVE DIRECTOR

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SERVICE LIST FOR:

AT&T COMMUNICATIONS OF THE MOUNTAIN STATES and AT&T CORP.

DOCKET NO.:

T-02428A-12-0234

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