

**ORIGINAL**

**NEW APPLICATION**



0000140846

BEFORE THE ARIZONA CORPORATION COMMISSION

2012 DEC -6 P 4: 24

GARY PIERCE  
CHAIRMAN

AZ CORP COMMISSION  
DOCKET CONTROL

BOB STUMP  
COMMISSIONER

Arizona Corporation Commission  
**DOCKETED**

SANDRA D. KENNEDY  
COMMISSIONER

DEC - 6 2012

PAUL NEWMAN  
COMMISSIONER

DOCKETED BY [Signature]

BRENDA BURNS  
COMMISSIONER

In the Matter of the Application of Celco Partnership d/b/a Verizon Wireless for a Finding of No Jurisdiction, or, in the Alternative, a Waiver of the Affiliated Rules Pursuant to AAC R14-2-806, or, in the Alternative, Approval Pursuant to AAC R14-2-803

Docket No. T-20598A-12-0488

**BACKGROUND**

Cellco Partnership d/b/a Verizon Wireless ("Verizon Wireless") makes this filing with the Arizona Corporation Commission ("Commission") in relation to a transaction by which Mohave Cellular Limited Partnership ("Mohave") will become a wholly-owned subsidiary of Verizon Wireless (the "Transaction"). Given the nature of the Transaction, Verizon Wireless seeks a finding of no jurisdiction. However, if the Commission determines that it does have jurisdiction, Verizon Wireless respectfully requests that the Commission grant a limited waiver of the Commission's Affiliated Interests Rules, AAC R14-2-801 *et seq.* ("Affiliated Interests Rules"), or, in the alternative, grant this application in an expedited fashion pursuant to AAC R14-2-803.

1 Verizon Wireless respectfully contends that the Affiliated Interests Rules do not  
2 apply to this Transaction. The Transaction involves the sale of partnership interests in an  
3 entity that provides only wireless telecommunications services in the state and will have  
4 no effect on the rates of any regulated utility. The Commission's authority under Article  
5 15 of the Arizona Constitution is strictly limited to ratemaking, and therefore, the  
6 Commission does not have authority to review transactions under the Affiliated Interests  
7 Rules that do not impact rates. *See Corp. Comm'n v. State ex rel. Woods*, 171 Ariz. 286,  
8 294-95, 830 P.2d 807, 815-16 (1992) ("Commission has no regulatory authority under  
9 article 15, section 3 except that connected to its ratemaking power"). Furthermore, even if  
10 the Transaction had the potential to impact the rates of Mohave, the Commission is  
11 expressly preempted from regulating wireless rates and entry pursuant to 47 U.S.C.  
12 § 332(c)(3).<sup>1</sup>

13 For these reasons, Verizon Wireless requests that the Commission make a finding  
14 of no jurisdiction. Nevertheless, if the Commission believes that it does have jurisdiction,  
15 Verizon Wireless respectfully requests that the Commission grant a limited waiver of the  
16 Affiliated Interests Rules pursuant to AAC R14-2-806 or, in the alternative, approve the  
17 Transaction without a hearing and within 60 days pursuant to AAC R14-2-803.

## 18 THE PARTIES AND THE TRANSACTION

### 19 I. Verizon Wireless Entities

20 Subsidiaries of Verizon Wireless, which is a joint venture ultimately owned 55% by  
21 Verizon Communications, Inc. and 45% by the Vodafone Group plc, are licensed by the

22 \_\_\_\_\_  
23 <sup>1</sup> In its Petition to the Federal Communications Commission ("FCC") for authority to regulate CMRS  
24 rates, the Commission acknowledged the Affiliated Interests Rules as part of its entry and ratemaking  
25 regulatory structure. *See ACC Petition to Extend State Authority over Rate and Entry Regulation of all*  
26 *Commercial Mobile Services*, at 9, FCC Dkt. No. PR 94-104 (filed Aug. 9, 1994). The FCC denied the  
Commission's petition. Petition of Arizona Corporation Commission, 10 FCC Rcd 7824 (1995).  
Accordingly, consistent with Section 332(c)(3)(A) of the Communications Act and the FCC's order, the  
Commission should find that it has no jurisdiction to review the Transaction under the Affiliated Interests  
Rules.

1 Federal Communications Commission to provide service throughout Arizona. Five  
2 operating subsidiaries of Verizon Wireless currently provide service to Arizona customers:  
3 Verizon Wireless (VAW) LLC (a limited partner of Mohave), Gila River Cellular General  
4 Partnership, Alltel Communications, LLC, WWC License LLC, and Alltel  
5 Communications Southwest Holdings, Inc. All entities are wholly-owned subsidiaries of  
6 Cellco Partnership except for Gila River Cellular General Partnership which is a majority-  
7 owned subsidiary of Cellco Partnership.

8 In Arizona, Verizon Wireless has more than 2,400 employees, which include those  
9 working at its Southwest Region headquarters and customer service center located in  
10 Chandler. In 2011, Verizon Wireless invested approximately \$120 million in Arizona and  
11 has invested more than \$ 1.1 billion in the Grand Canyon State since 2000. This  
12 investment has included new cell sites and capacity enhancements, which have brought  
13 improved coverage, call quality, and network reliability, enabling customers to accomplish  
14 more through wireless means, and helping to enable new services such as 4G LTE  
15 Broadband Access, and VZ Navigator(SM). Verizon Wireless is also an important  
16 contributor to the community. For example, since 2001, Verizon Wireless has awarded  
17 approximately \$700,000 in cash to Arizona for Domestic Violence Hopeline grants and  
18 partnerships and distributed more than 1,885 phones with the equivalent of more than five  
19 million minutes of free wireless service to be used by victims of domestic violence. In  
20 addition, more than \$500,000 has been awarded in grants by the Verizon Foundation in  
21 2011 and 2012 for charitable organizations in Arizona.

## 22 **II. Other Entities**

### 23 **A. CU Wireless**

24 CU Wireless, LLC d/b/a Citizens Mohave Cellular Company (“Citizens”) is  
25 currently the general partner of Mohave. Citizens is owned and controlled by Frontier  
26 Communications Corporation. In addition to Mohave, Frontier’s operating subsidiaries,

1 Citizens Telecommunications Company of the White Mountains, Inc., Citizens Utilities  
2 Rural Company, Inc., Frontier Communications of the Southwest Inc., Navajo  
3 Communications Company, Inc. and Frontier Communications of America, Inc., provide  
4 telecommunications service to customers in Arizona.

5 **B. Rio Virgin**

6 Rio Virgin Cellular, Inc. ("Rio Cellular") is currently the other limited partner of  
7 Mohave. Rio Cellular's affiliate, Rio Virgin Telephone Company, provides service to  
8 customers in a limited territory in northwest Arizona.

9 **III. The Transaction**

10 The current ownership of Mohave is as follows:

<b>Current partners in Mohave</b>	<b>Current ownership percentage</b>
Citizens	33.33% GP
Rio	33.33% LP
Verizon Wireless (VAW) LLC	33.33% LP

14 Citizens, the manager of Mohave, and Rio intend to sell their partnership interests  
15 to Verizon Wireless. Verizon Wireless (VAW) LLC is a wholly-owned subsidiary of  
16 Verizon Wireless. At the close of the Transaction, Mohave would be a wholly-owned  
17 subsidiary of Verizon Wireless.

18 **TRANSACTION BENEFITS**

19 The Transaction will provide benefits to current customers of Mohave. Verizon  
20 Wireless will transition current Mohave customers to Verizon Wireless' service within a  
21 period of 12-15 months after closing of the entire Transaction. Verizon Wireless is  
22 experienced in customer transitions having transitioned millions of customers to its  
23 network over the last decade and does not anticipate this transition will negatively impact  
24 customers. As of the date of this Application, Verizon Wireless anticipates that it will:  
25 transition customers to like or better price plans, to the extent possible, in terms of access  
26 and usage allowances; offer replacement handsets to the extent necessary for customers to

1 take advantage of the full suite of Verizon Wireless services, including a variety of free  
2 and discounted devices; and will on a case-by-case basis waive early termination fees if a  
3 customer does not wish to continue service with Verizon Wireless.

4 The Transaction will serve the public interest. The proposed Transaction will allow  
5 Verizon Wireless to integrate the Mohave license into its network, thereby allowing  
6 Verizon Wireless to deliver enhanced voice, EVDO and other advanced wireless products  
7 to meet increasing demands of its customers for wireless products and services in the  
8 Mohave market. In addition, customers in the Mohave market will further benefit from  
9 Verizon Wireless' planned deployment of 4G LTE on its existing 700 MHz C Block  
10 spectrum.

11 Moreover, the proposed Transaction will not adversely affect competition in the  
12 Mohave market. Other competitors in the Mohave market include: AT&T, T-Mobile, and  
13 Sprint. Verizon Wireless will replace Mohave as a competitor in this market, so there will  
14 be no reduction in competitors, and consumers will continue to benefit from robust  
15 competition.

#### 16 **WAIVER PURSUANT TO RULE 806**

17 To the extent the Commission determines that it has jurisdiction over the  
18 Transaction, Verizon Wireless believes that a limited waiver of the Affiliated Interests  
19 Rules is appropriate under AAC R14-2-806. As noted above, this Transaction involves  
20 the sale of partnership interests in an existing wireless service provider. Application of the  
21 waiver provisions is consistent with other circumstances in which the Commission has  
22 waived the Affiliated Interests Rules. For example, the predecessors of the Arizona  
23 operating subsidiaries of Verizon Wireless have received prior waivers of the Affiliated  
24 Interest Rules.<sup>2</sup> In granting such waivers, the Commission determined that only when a

25 <sup>2</sup> The Commission has granted limited waivers of the Affiliated Interests Rules to Verizon Wireless  
26 operating subsidiaries in Arizona. See Decision Nos. 58228 and 58978 (granting a limited waiver to the  
predecessor of Cellco Partnership and applying the limited waiver to the transaction that created Cellco  
Partnership); and Decision No. 58229 (granting a limited waiver to the Gila River Cellular General

1 transaction would cause a material adverse effect on Arizona operations, such as an  
2 increase in rates, would a company have to make the necessary filings under AAC R14-2-  
3 803. Applicants request that, if necessary, the Commission employ a consistent analysis in  
4 this proceeding, as there is no material adverse effect on any public service corporation  
5 regulated by the Commission as a result of this Transaction.

#### 6 RULE 803 INFORMATION

7 In the event the Commission determines that it has jurisdiction over the Transaction  
8 and declines to grant a limited waiver of the Affiliated Interests Rules pursuant to AAC  
9 R14-2-806, then Verizon Wireless requests that the Commission approve the Transaction  
10 pursuant to AAC R14-2-803. The following information is supplied pursuant to AAC  
11 R14-2-803(A):

12 a. Names and Business Addresses of Proposed Officers and Directors:

13 See Attachment A.

14 b. The Business Purposes for the Reorganization: The business

15 purposes are set forth above.

16 c. The Proposed Method of Financing the Holding Company and the

17 Resultant Capital Structure. As a result of this Transaction, Mohave will become a  
18 wholly-owned subsidiary of Verizon Wireless.

19 d. Effect on the Capital Structure of the Arizona Utilities. As noted

20 above, following the Transaction, Mohave will be a wholly-owned subsidiary of Verizon  
21 Wireless. Other than the change to the capital structure of Mohave, the Transaction will  
22 have no effect on the capital structure of any public service corporation regulated by the  
23 Commission.

24 e. Organization Chart. See Attachment B.

25  
26 Partnership). Generally, these waivers apply unless the transaction will have a material adverse effect on Arizona operations. As stated in this filing, the Transaction will not have an adverse impact on Arizona customers.

1 f. Allocation of Federal and State Income Taxes. As a partnership,  
2 Mohave is a pass through entity for tax purposes. The Transaction will not effect any  
3 change in the method of income tax allocation among Verizon Wireless and its Arizona  
4 operating entities.

5 g. Change in Cost of Service/Cost of Capital of any Arizona Regulated  
6 Utility. There will be no impact on the cost of service or cost of capital of any public  
7 service corporation regulated by the Commission.

8 h. Diversification Plans of Affiliates. There are no current plans to  
9 diversify beyond current businesses.

10 i. Documents and Filings. An application seeking approval of the  
11 transfer of spectrum license was filed with the FCC on December 6, 2012. A copy of the  
12 Public Interest Statement submitted with the FCC application is attached as Attachment C.  
13 No filings are anticipated with the United States Securities and Exchange Commission or  
14 with any federal or state agencies other than the FCC filing noted above and this filing  
15 with the Commission.

16 j. Investment in Affiliates. The Transaction will not affect investment  
17 in the Arizona affiliates.

18 k. Access to Capital. The Transaction will not adversely impact the  
19 ability of any public service corporation regulated by the Commission to attract capital.

## 20 CONCLUSION

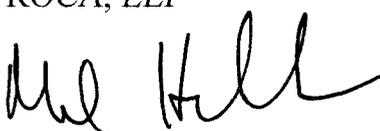
21 For the reasons set forth above, Verizon Wireless requests that the Commission  
22 make a finding that it has no jurisdiction over the Transaction described herein. In the  
23 alternative, Verizon Wireless requests that the Commission grant a limited waiver of the  
24 Affiliated Interests Rules pursuant to AAC R14-2-806 with respect to the Transaction.

25 In the event the Commission determines that it has jurisdiction over the Transaction  
26 and declines to grant a limited waiver of the Affiliated Interests Rules pursuant to AAC

1 R14-2-806, then Verizon Wireless requests that the Commission approve the Transaction  
2 described herein pursuant to AAC R14-2-803. Verizon Wireless further requests that this  
3 application be approved without a hearing in an expedited manner.

4 RESPECTFULLY SUBMITTED this 6th day of December, 2012.

5 LEWIS AND ROCA, LLP

6  
7  
8 By 

9 Thomas H. Campbell  
10 Michael T. Hallam  
40 N. Central Avenue  
Phoenix, Arizona 85004  
Attorneys for Verizon Wireless

11 ORIGINAL and thirteen (13)  
12 copies of the foregoing filed this  
6th day of December, 2012, with:

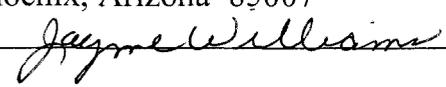
13 Arizona Corporation Commission  
14 Docket Control – Utilities Division  
1200 W. Washington Street  
Phoenix, Arizona 85007

15 COPY of the foregoing hand-delivered  
16 this 6th day of December, 2012, to:

17 Lyn Farmer, Esq.  
18 Chief Administrative Law Judge  
Hearing Division  
19 Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

20 Janice Alward  
21 Maureen Scott  
22 Legal Division  
Arizona Corporation Commission  
1200 W. Washington Street  
23 Phoenix, Arizona 85007

24 Mr. Steven M. Olea, Director  
25 Utilities Division  
Arizona Corporation Commission  
1200 W. Washington Street  
26 Phoenix, Arizona 85007



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**Verification**

STATE OF New Jersey )  
COUNTY OF Somerset ) ss.

I, William Hickey, am Executive Director - Strategic Alliances of Verizon Wireless. I hereby certify that the facts stated in the above application are true and accurate to the best of my knowledge and belief.

William Hickey

Subscribed and sworn to before me this 5<sup>th</sup> day of Dec, 2012.

Marissa Di Paolo  
Notary Public

My Commission Expires:  
Marissa Di Paolo  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires July 6, 2014

ATTACHMENT A

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## Attachment A

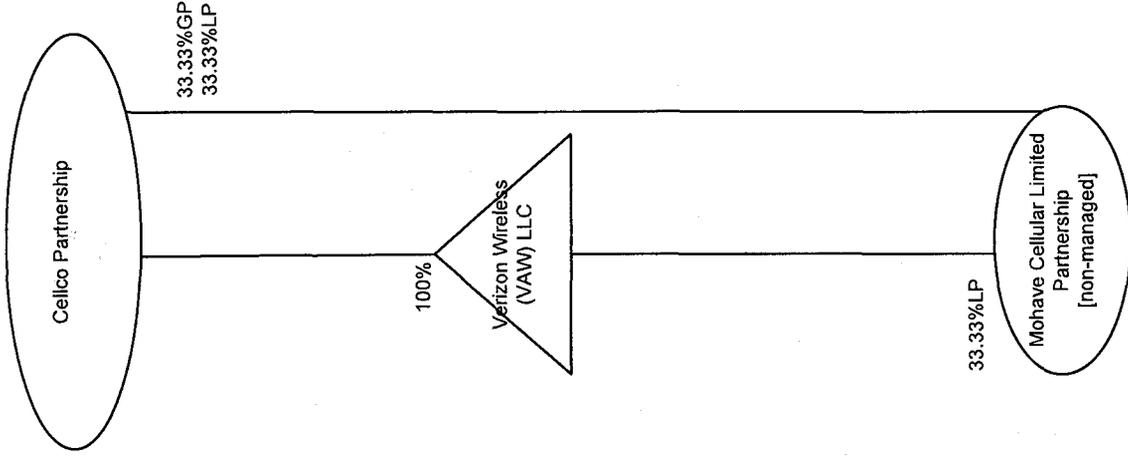
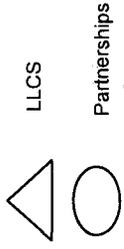
### Officers of Cellco Partnership

<i>Name</i>	<i>Title</i>	<i>Business Address</i>
Daniel S. Mead	President and Chief Executive Officer	One Verizon Way Basking Ridge, NJ 07920
Marni Walden	Executive Vice President and Chief Operating Officer	One Verizon Way Basking Ridge, NJ 07920
Nicola Palmer	Vice President and Chief Technical Officer	One Verizon Way Basking Ridge, NJ 07920
Andrew Davies	Vice President and Chief Financial Officer	One Verizon Way Basking Ridge, NJ 07920
Tami Erwin	Vice President and Chief Marketing Officer	One Verizon Way Basking Ridge, NJ 07920
Margaret P. Feldman	Vice President – Business Development	One Verizon Way Basking Ridge, NJ 07920
William B. Petersen	Vice President, General Counsel and Secretary	One Verizon Way Basking Ridge, NJ 07920
Alice C. Brennan	Assistant Secretary	One Verizon Way Basking Ridge, NJ 07920
Karen M. Shipman	Assistant Secretary	One Verizon Way Basking Ridge, NJ 07920

**ATTACHMENT B**

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**Attachment B  
Organization Chart**



ATTACHMENT C

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**DESCRIPTION OF TRANSACTION AND  
PUBLIC INTEREST STATEMENT**

CU Wireless Company, LLC d/b/a Citizens Mohave Cellular Company (“Citizens”), Rio Virgin Cellular, Inc. (“Rio”) and Cellco Partnership d/b/a Verizon Wireless (“Verizon Wireless”) (and together with Citizens and Rio, the “Applicants”) seek Federal Communications Commission (“Commission”) consent to the transfer of control of Mohave Cellular Limited Partnership (“Mohave”) to Verizon Wireless. Mohave holds the cellular B block license KNKQ365 for CMA318, Arizona 1-Mohave (the “Market”).

The current ownership of Mohave is as follows:

<b>Current partners in Mohave</b>	<b>Current ownership percentage</b>
Citizens	33.33% GP
Rio	33.33% LP
Verizon Wireless (VAW) LLC	33.33% LP

Citizens, the manager of Mohave, and Rio intend to sell their partnership interests to Verizon Wireless. Verizon Wireless (VAW) LLC is a wholly-owned subsidiary of Verizon Wireless. At the close of the transaction, Mohave would be a wholly-owned subsidiary of Verizon Wireless.

There are no related international Section 214 or other wireless authorizations involved in the proposed transaction.

Verizon Wireless will transition the customers acquired from Citizens to Verizon Wireless’s service within a period of 12-15 months after closing. As of the date of this application, Verizon Wireless anticipates that it will: transition customers to like or better price plans to the extent possible in terms of access and usage allowances; offer replacement handsets to the extent necessary for customers to take advantage of the full suite of Verizon Wireless services, including a variety of free and discounted devices; and will on a case-by-case basis waive early termination fees if a customer does not wish to continue service with Verizon Wireless.

The proposed transfer of control will fully comply with the Commission’s rules, and will not require the waiver of any of the Commission’s rules. The License was not obtained through competitive bidding procedures during the preceding three years. Accordingly, under 47 CFR § 1.2111(a), the Applicants need not include a copy of the purchase agreement with this application. In addition, the proposed transaction will not result in any requirement that the Applicants pay unjust enrichment to the Commission.

Cellco is a general partnership, which is ultimately owned by Verizon Communications Inc. and Vodafone Group Plc (“Vodafone”). Additional information as to Cellco’s ownership is provided in its Form 602, which is on file with the Commission. Vodafone’s interest in the

partnership, and its qualifications as a foreign corporation to hold indirect ownership interests in common carrier licenses, is detailed in a separate exhibit.

Grant of this application will serve the public interest. The proposed transaction will allow Verizon Wireless to integrate the License into its Network, thereby allowing Verizon Wireless to deliver enhanced voice, EVDO and other advanced wireless products to meet increasing demands of its customers for wireless products and services in the Market. In addition, acquired customers in the Market will further benefit from Verizon Wireless's planned deployment of 4G LTE on its existing 700 MHz C Block spectrum. As shown in **Exhibit 2**, Verizon Wireless is currently attributed with 112 MHz cellular, PCS, AWS and 700 MHz spectrum in the Market because Mohave's spectrum holdings already are attributable to Verizon Wireless due to its existing minority, non-controlling ownership interest in Mohave. Following consummation of this transaction, Verizon Wireless will still hold 112 MHz in the Market. Verizon Wireless's wholly-owned cellular A block license doesn't overlap with Mohave's cellular B block license, so Verizon Wireless will hold just 87 MHz in any portion of the Market, even though it will be attributed with 112 MHz in the Market as a whole. Thus, Verizon Wireless will hold well below the 145 MHz spectrum screen which the Commission detailed in the *VZW/Union Telephone 700 MHz Grant*.<sup>1</sup> Five licensees in addition to Verizon Wireless each hold at least 12 MHz of spectrum below 1 GHz. Moreover, the proposed transaction will not adversely affect competition in the Market. **Exhibit 3** depicts the current CMRS competitors in the Market. Verizon Wireless will replace Mohave as a competitor in most of the Market. There is no overlap between Mohave's cellular license and Verizon Wireless's existing cellular license in the Market. Thus, there will be no reduction in competition as a result of this transaction. Therefore, consumers will continue to benefit from robust competition. Grant of this application is thus in the public interest.

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<sup>1</sup> *In the Matter of Union Telephone Company and Cellco Partnership d/b/a Verizon Wireless Applications for 700 MHz Band Licenses, Auction No. 73, Memorandum Opinion and Order, FCC 08-257, 23 FCC Rcd. 16787 (2008) ("VZW/Union Telephone 700 MHz Grant")*.