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MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

2013 AUG -9 P 12: 26

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DATE: August 9, 2013

RE: IN THE MATTER OF THE JOINT APPLICATION OF MATRIX TELECOM, INC. AND INTERNATIONAL EXCHANGE COMMUNICATIONS, INC. FOR APPROVAL OF THE TRANSFER OF CERTAIN ASSETS AND RELATED TRANSACTIONS AND A WAIVER OF APPLICABLE ANTI-SLAMMING REGULATIONS (DOCKET NOS. T-03228A-02-0894 AND T-03664A-02-0894)

Attached is a Staff Report for the above referenced application. Staff is recommending approval of the Application. Staff is further recommending cancellation of International Exchange Communications, Inc.'s Certificate of Convenience and Necessity to provide resold interexchange telecommunications services in Arizona.

SMO:JFB:red

Originator: John F. Bostwick

Attachment: Original and Thirteen Copies

Arizona Corporation Commission
DOCKETED

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SERVICE LIST FOR: MATRIX TELECOM, INC. AND INTERNATIONAL EXCHANGE
COMMUNICATIONS, INC.
DOCKET NOS. T-03228A-02-0894 AND T-03664A-02-0894

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

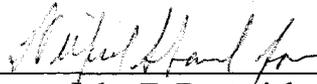
MATRIX TELECOM, INC. AND INTERNATIONAL EXCHANGE
COMMUNICATIONS, INC.
DOCKET NOS. T-03228A-02-0894 AND T-03664A-02-0894

IN THE MATTER OF THE JOINT APPLICATION OF MATRIX TELECOM, INC. AND
INTERNATIONAL EXCHANGE COMMUNICATIONS, INC. FOR APPROVAL OF
THE TRANSFER OF CERTAIN ASSETS AND RELATED TRANSACTIONS AND A
WAIVER OF APPLICABLE ANTI-SLAMMING REGULATIONS

AUGUST 9, 2013

STAFF ACKNOWLEDGMENT

The Staff Report for Matrix Telecom, Inc. and International Exchange Communications, Inc., Docket Nos. T-03228A-02-0894 and T-03664A-02-0894, was the responsibility of the Staff member listed below. John F. Bostwick and Wilfred Shand were responsible for the review and analysis of the joint application of Matrix Telecom, Inc. and International Exchange Communications, Inc. for approval of the transfer certain assets and related transactions and a waiver of applicable anti-slamming regulations.



John F. Bostwick

Administrative Services Officer II



Wilfred Shand

Public Utilities Analyst Manager

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INTRODUCTION

On December 9, 2002, Ms. Judith A. Riley, Esq., with Telecom Professionals, Inc., filed the Joint Application of Matrix Telecom, Inc. (“Matrix”) and International Exchange Communications, Inc. (“IECom”), (together the “Applicants”) for approval of the transfer of certain assets and related transactions and a waiver of applicable anti-slamming regulations. On February 8, 2013, the Administrative Law Judge issued a Procedural Order in which Staff was required to file an update on this matter informing the Commission whether further action in this docket is necessary. The filing is to include a recommendation for appropriate Commission action.

The application stated that Matrix had been providing telecommunication services to IECom’s customer base under IECom’s supervision pursuant to a Management Services Agreement (“MSA”) with Matrix Telecom, Inc. IECom entered into on December 29, 2000. On January 4, 2001, IECom filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court, Northern District of California, San Francisco Division and ceased operations. Pursuant to the terms of the Settlement Agreement, Matrix agreed to pay IECom \$600,000 for the assets listed in the Management Services Agreement (“MSA”).

Staff considered the application to be insufficient and sent Staff’s first set of data requests on September 17, 2003. Staff sent a second set of data requests on July 16, 2007. Staff has not received a response to the second set of data requests. On March 4, 2008, Staff was informed by Ms. Riley that she no longer represented Matrix or IECom. On July 14, 2010, Staff was advised by Matrix’s management contact of record, Linda Dellaero, to forward all Commission correspondence to Mr. Scott Klopach, who is the vice president of regulatory affairs and general counsel of Matrix.

BACKGROUND

In Decision No. 61931, IECom received its Certificate of Convenience and Necessity (“CC&N”) to provide resold long distance telecommunications services in Arizona on August 27, 1999.

On May 16, 2003, Matrix was authorized to provide resold interexchange telecommunications services in Decision No. 65926. Matrix was also authorized to provide resold local exchange telecommunications services in Decision No. 68343, dated December 9, 2005, and facilities-based local exchange telecommunications services in Decision No. 69944, dated October 16, 2007.

STAFF'S ANALYSIS

According to the Application, Matrix provided telecommunications services to IECOM's customers under the MSA that was executed on December 29, 2000. On August 25, 2004, Ms. Riley filed a letter stating that the transfer of assets of IECOM to Matrix had taken place, customers were notified pursuant to Federal Communications Commission ("FCC") requirements and a copy of the FCC's public notice was attached. In addition, a "Certification of Compliance" signed by the Dennis Smith, President of Matrix was submitted as evidence that the acquisition of the customer base by Matrix met the FCC's advance customer notice requirements. IECOM's customer base was the only asset purchased by Matrix when IECOM was being liquidated through the bankruptcy courts.¹

Based on a review of the 2009 Annual Reports filed with the Commission, Staff determined that none of the Applicants generated annual operating revenue in excess of a million dollars from their operations in Arizona. As a result, neither IECOM nor Matrix is a Class A utility and, therefore, Article 8 - Public Utility Holding Companies and Affiliated Interest, rules A.A.C. 14-2-801 et seq. does not apply to this application.

Staff has confirmed that there have been no complaints, inquiries or opinions filed against either IECOM or Matrix from January 1, 1999 through August 19, 2010. The Corporations Division of the Commission reports that Matrix is in good standing and that IECOM's authority to do business in Arizona was revoked on March 20, 2002, for failure to file its annual report.

Neither IECOM nor Matrix has any compliance delinquencies with the Commission.

There are other carriers in Arizona that offer similar telecommunications services as IECOM. Staff believes that the cancellation of IECOM's CC&N to provide telecommunications services is in the public interest.

RECOMMENDATIONS

Staff recommends approval of the transfer of IECOM's customer base and a waiver of Arizona's anti-slamming regulation in this matter. Staff further recommends cancellation of IECOM's CC&N. Upon cancellation of its CC&N, IECOM will no longer be authorized to provide resold long distance telecommunications services in Arizona and therefore, will no longer be subject to any of the requirements of Decision No. 61931.

¹ Responses to Staff Data Request Nos. 6 and 13.