



ORIGINAL

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2014 JUN 12 A 9 11

Arizona Corporation Commission

DOCKETED

JUN 12 2014

DOCKETED BY [Signature]

COMMISSIONERS

- BOB STUMP, Chairman
- GARY PIERCE
- BRENDA BURNS
- BOB BURNS
- SUSAN BITTER SMITH

AZ CORP COMMISSION DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
 AT&T CORP. AND TELEPORT
 COMMUNICATIONS OF AMERICA, LLC FOR A
 LIMITED WAIVER OF THE AFFILIATED
 INTEREST RULES PURSUANT TO A.A.C. R14-2-
 806

Docket Nos. T-20872A-14-0186
 T-20874A-14-0186

WAIVER APPLICATION

GALLAGHER & KENNEDY, P.A.
 2575 E. CAMELBACK ROAD
 PHOENIX, ARIZONA 85016-9225
 (602) 530-8000

Pursuant to A.A.C. R14-2-801, *et seq.* (the "Affiliated Interest Rules"), AT&T Corp. and Teleport Communications of America, LLC, on behalf of their parent corporation, AT&T Inc. ("AT&T"), seek a Limited Waiver of the Affiliated Interest Rules in relation to AT&T's proposed acquisition of DIRECTV (the "Transaction").

Pursuant to A.A.C. R14-2-806, the limited waiver should be granted because the Transaction (1) will benefit Arizona customers, (2) presents no risks for, or impacts on, AT&T's Arizona operating subsidiaries and (3) the waiver will conserve the Commission's and parties' resources. The Commission, therefore, should grant this Application seeking a waiver of the R14-2-803 notice of intent requirements as they may apply to the Transaction described herein. Alternately, AT&T requests that the Commission take no action on this Application, in which event the waiver will become effective on July 15, 2014 under the provisions of R14-2-806.C.¹

¹ The 30th day following filing of this Application is July 12, 2014. However, because that day is a Saturday, the deadline is extended to the following Monday, July 14, 2014, pursuant to Arizona Rule of Civil Procedure, Rule 6(a). Accordingly, the efficacy date will be the following day, Tuesday, July 15, 2014.

1 **AT&T AND ITS AFFILIATES**

2 AT&T is a Delaware corporation with headquarters at 208 S. Akard Street, Dallas, Texas
3 75202. Through its subsidiaries, AT&T provides wireless, high-speed Internet, local and long
4 distance voice, mobile broadband and Wi-Fi services, and advanced TV services in the United States,
5 as well as worldwide wireless coverage and IP-based business communications services.²

6 As relevant to the Affiliate Interests Rules, AT&T is the holding company parent of
7 AT&T Corp. [Docket No. T-20872A] and Teleport Communications of America, LLC [Docket
8 No. T-20874A] (collectively, the “Applicants”).³ Neither of the Applicants is an incumbent local
9 exchange carrier. Instead, they are authorized to provide competitive local exchange services
10 along with more than 60 other CLECs in our state. The acquisition of DIRECTV will not change
11 the Applicants’ ownership or operation. Their position in the AT&T corporate structure will be
12 unaffected by the Transaction. In addition, the Transaction will have no impact on the rates and
13 tariffs of these companies in Arizona.

14 **DESCRIPTION OF THE TRANSACTION**

15 AT&T has agreed to acquire DIRECTV for cash and AT&T stock. At closing, Steam
16 Merger Sub L.L.C. (“Merger Sub”), a newly formed, wholly-owned subsidiary of AT&T, will
17 merge with DIRECTV, with Merger Sub as the surviving entity. As a result, DIRECTV will
18 become a wholly-owned subsidiary of AT&T. The merger is subject to approval by DIRECTV’s

19 _____
20 ² See AT&T Inc., Annual Report (Form 10-K), at 1-2 (Feb. 24, 2013), which can be accessed online at http://www.att.com/Investor/ATT_Annual.

21 ³ AT&T is also the holding company parent of SBC Long Distance, LLC, SNET America, Inc., and
22 BellSouth Long Distance, none of which qualify as a Class A utility under A.A.C. R14-2-103(A)(3)(q).
23 These three subsidiaries and the Applicants are collectively referred to as the “Arizona Operating
24 Subsidiaries.” In addition to its Arizona Operating Subsidiaries, AT&T provides wireless services
through AT&T Mobility f/k/a Cingular Wireless throughout the United States and, in Arizona, through
New Cingular Wireless PCS, LLC (“New Cingular”).

1 shareholders as well as consents from the Federal Communications Commission and certain state
2 and foreign governmental entities. Post-merger, DIRECTV shareholders, in the aggregate, will
3 own approximately 15% of AT&T shares, based in part on the price and number of AT&T
4 shares outstanding as of the time of closing. Also, post-merger, Merger Sub will be renamed and
5 operate as "DIRECTV."

6 **BENEFITS OF THE TRANSACTION**

7 The Transaction brings a number of merger-specific benefits. The combined company
8 will create a new competitor offering a greater array of innovative broadband, video and mobile
9 services to consumers.

10 DIRECTV is a premier satellite video provider, providing services across the United
11 States and in Latin America. It offers a wide selection of programming and utilizes some of the
12 best technology available for delivering and viewing high-quality video on any device.
13 Combining DIRECTV's established programming expertise, technologies and services with
14 AT&T's nationwide broadband (both wired and wireless) networks will create a strong
15 competitor that delivers consumers an attractive combination of broadband, video and wireless
16 services. Consumers will benefit from new and better video services and bundles of services.

17 **EFFECT OF THE TRANSACTION IN ARIZONA**

18 There will be no change in the ownership of the Arizona Operating Subsidiaries as a
19 result of the Transaction. The Transaction involves no financing commitments or requirements
20 by the Arizona Operating Subsidiaries. Accordingly, neither the assets nor the equity capital of
21 the Arizona Operating Subsidiaries will be pledged, encumbered or otherwise affected. The
22 Transaction will not change the current method of tax allocation to the Arizona Operating
23 Subsidiaries. It also will have no impact on the Arizona Operating Subsidiaries' access to, or

1 cost of, capital. They will continue to have the same access to funding from AT&T as they do
2 now. Finally, the Transaction will not impact customer service levels or any other operational
3 matters of the Arizona Operating Subsidiaries.

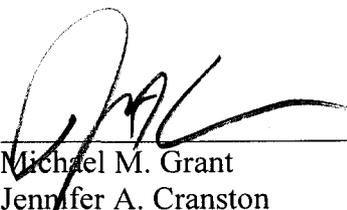
4 WHEREFORE, having fully stated their Application, the Applicants, on behalf of AT&T,
5 request that the Commission – either affirmatively or by operation of law – grant a Limited
6 Waiver of the Affiliated Interest Rules in connection with the Transaction described herein. In
7 the event that the Commission takes no action on this Application, the waiver will become
8 effective on July 15, 2014 pursuant to the provisions of R14-2-806.C.

9 RESPECTFULLY SUBMITTED this 12th day of June, 2014.

10 GALLAGHER & KENNEDY, P.A.

11

12

By 

13

Michael M. Grant
Jennifer A. Cranston
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for AT&T

14

15

16 **Original and 15 copies** filed this
17 12th day of June, 2014, with:

18

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

20 **Copies** of the foregoing delivered
21 this 12th day of June, 2014, to:

22

Commissioner, Bob Stump, Chairman
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

23

24

1 Commissioner Gary Pierce
Arizona Corporation Commission
2 1200 West Washington Street
Phoenix, Arizona 85007

3 Commissioner Brenda Burns
4 Arizona Corporation Commission
1200 West Washington Street
5 Phoenix, Arizona 85007

6 Commissioner Bob Burns
Arizona Corporation Commission
7 1200 West Washington Street
Phoenix, Arizona 85007

8 Commissioner Susan Bitter Smith
9 Arizona Corporation Commission
1200 West Washington Street
10 Phoenix, Arizona 85007

11 Steve Olea, Director
Utilities Division
12 Arizona Corporation Commission
1200 West Washington Street
13 Phoenix, Arizona 85007

14 Elijah Abinah
Utilities Division
15 Arizona Corporation Commission
1200 West Washington Street
16 Phoenix, Arizona 85007

17 John Le Sueur
Utilities Division
18 Arizona Corporation Commission
1200 West Washington Street
19 Phoenix, Arizona 85007

20 Terri Ford
Utilities Division
21 Arizona Corporation Commission
1200 West Washington Street
22 Phoenix, Arizona 85007

23

24

1 Maureen Scott
Legal Division
2 Arizona Corporation Commission
1200 West Washington Street
3 Phoenix, Arizona 85007

4 
5 17840-33/4218929v3

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

VERIFICATION

I, Jose Menchaca, declare the following:

I am the Managing Director-Corporate Development of AT&T Management Services, L.P., a subsidiary of AT&T Inc., the parent company of the Applicants in this matter, and am authorized to make this verification. I have personal knowledge of the facts stated in the Application for a Limited Waiver of the Affiliated Interest Rules Pursuant to R14-2-806, and, to the best of my knowledge, information and belief, such facts are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 11th day of June, 2014.

AT&T Inc.

By: AT&T Management Services, L.P.

By: 
Jose Menchaca