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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

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Arizona Corporation Commission

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IN THE MATTER OF THE PROPOSED)
RULEMAKING TO MODIFY)
A.A.C. R14-2-103 TO UPDATE THE)
UTILITY CLASSIFICATIONS.)

DOCKET NO. RU-00000A-13-0294

COMMENTS IN SUPPORT OF PROPOSED RULES

XO Communications Services, LLC. ("XOCS") supports the rule changes proposed by the Utilities Division Staff in its filing dated March 24, 2014, and amended by Staff in Proposed Amendment No. 1, filed April 4, 2014. The rules as proposed by Staff are also recommended by Chairman Stump's Proposed Amendment No. 1, filed October 3, 2014. XOCS is among the telephone utilities that would no longer be classified as a Class A Utility if the rulemaking is adopted as proposed by Staff. See March 24, 2014 Staff Memorandum Supporting Rulemaking to Modify A.A.C. R14-2-103, p.3m ftnt. 4. As explained in the Staff Memorandum, at least 23 telecommunications companies would be re-categorized as a result of the rule revision.

The Affiliated Interest Rules, A.A.C. R14-2-801 et seq., prohibit a Class A Utility from reorganizing or transacting business with an affiliate prior to requesting permission from the Commission. The broad definition of "reorganization" captures financings, small internal reorganizations, mergers, sales and investments. A.A.C R14-2-801.5. Consequently,

the Commission sees dozens of filings annually, requesting approval under the Affiliated Interest Rules, of transactions that do not directly affect Arizona consumers. Some carriers have limited waivers, which reduces, but does not eliminate, the number of Affiliated Interest Rules filings. Adjusting upward the Class A utility threshold for telecommunications carriers will greatly reduce the number of carriers subject to the Affiliated Interest Rules and will reduce the number of Affiliated Interest Rules filings with the Commission. In a competitive environment, where most carrier transactions are national in scope, Commission time is not well spent processing carrier re-financings and reorganizations. Likewise, using carrier resources to prepare and file applications, submit Affiliated Interest Rules annual reports, and study the Affiliated Interest Rules to ensure compliance, does not improve service to customers. These resources could be better directed toward building networks, researching new technologies and supporting customer service.

XOCS supports the rule revisions, as proposed by Staff and now presented to the Commission by way of the Chairman's Proposed Amendment No. 1 (Alternative Form of Order).

RESPECTFULLY SUBMITTED this 24th day of October, 2014.



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ORIGINAL and thirteen (13) copies
of the foregoing filed
this 24 day of October, 2014 with:

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John S. Barber