

OPEN MEETING



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ORIGINAL

MEMORANDUM

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Arizona Corporation Commission
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SEP 30 2014

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TO: THE COMMISSION

2014 SEP 30 A 10: 51

FROM: Utilities Division

ARIZONA CORP COMMISSION
DOCKET CONTROL

DATE: September 30, 2014

RE: IN THE MATTER OF THE APPLICATION OF MCI COMMUNICATIONS SERVICES, INC. DBA VERIZON BUSINESS SERVICES AND TELECONNECT LONG DISTANCE SERVICES AND SYSTEMS COMPANY FOR APPROVAL OF JOINT APPLICATION FOR WAIVER OF SLAMMING RULES AND DISCONTINUANCE OF SERVICE. (DOCKET NOS. T-03394A-14-0299 AND T-02533A-14-0299)

On August 11, 2014, MCI Communications Services, Inc. dba Verizon Business Services ("MCI") and Teleconnect Long Distance Services And Systems Company ("Teleconnect") (together, "Applicants"), filed a joint application requesting approval from the Arizona Corporation Commission ("Commission") of the transfer of Teleconnect's long distance customers in Arizona to MCI. In addition, the Applicants seek approval to cancel Teleconnect's interexchange services Certificate of Convenience and Necessity ("CC&N") in Arizona, a waiver of the Commission's Consumer Protections for Unauthorized Carrier Charges ("Slamming") Rules and any other necessary approvals.

In support of this filing, Applicants provide the following information.

Introduction

This transaction is part of a multi-state initiative to consolidate certain Verizon subsidiaries in the provision of telephone services that are currently provided through multiple and duplicative state-specific subsidiaries. The Applicants are coordinating proceedings in multiple states with an expected implementation date of October 15, 2014, and are requesting approval of the Joint Application no later than the Commission's October Open Meeting to allow sufficient time for processing and implementation. The transfer of customers, for the most part, will not result in a change of the affected customer's rates, terms and conditions for their regulated services, except that those customers who were previously served by Teleconnect will be served by MCI going forward. For the few customers whose services and rates are not available on the MCI billing platform, a description and detail of their proposed new service and rates are described in detail in their direct customer notice.

Teleconnect's customers in all states in which it operates will be transferred to MCI beginning on or after September 1, 2014, subject to required regulatory approvals. Following the transfer, these customers will be served by MCI. MCI's tariffs will be revised to incorporate Teleconnect's services as applicable. Teleconnect will cease to operate and seeks cancellation of all applicable authorities and tariffs to the extent required.

Description of the Applicants

A. MCI Communications Services, Inc. dba Verizon Business Services

MCI was incorporated under the laws of the State of Delaware on January 3, 1992, and its principal offices are located in Basking Ridge, New Jersey. The company that is now MCI Communications Services, Inc. d/b/a Verizon Business Services was authorized to provide interLATA and intraLATA interexchange services in Decision No. 54507, issued May 1, 1985. MCI currently offers interexchange services in Arizona. MCI is ultimately owned and controlled by Verizon Communications, Inc.

B. Teleconnect Long Distance Services and Systems Company

Teleconnect was incorporated under the laws of the State of Iowa on November 20, 1986, and its principal office is located in Basking Ridge, New Jersey. The company was authorized to provide resold intraLATA and interLATA toll service in Decision No. 62312, issued February 17, 2000. Teleconnect provides resold long distance service including toll free and calling card services in Arizona. Additionally, Teleconnect provides 1010 dial around and operator services for casual calling customers. Teleconnect is owned and controlled by Verizon Communications, Inc.

The Proposed Transfer of Customers

The Applicants state that MCI is acquiring Teleconnect's long distance-related business in Arizona and in other states in which it currently operates beginning on or after September 1, 2014, subject to regulatory approval. Following the transfer from Teleconnect, affected customers will be served by MCI. MCI's tariffs will be revised to incorporate Teleconnect's services as applicable. Teleconnect will cease to operate and seeks cancellation of its CC&N and tariffs in Arizona.

Staff's Analysis

The Affiliated Interests Rules

In Decision No. 62702, issued June 30, 2000, the Applicants were granted limited waivers of A.A.C. R14-2-804, the Commission's Affiliated Transaction rules, as part of a larger filing submitted by the affiliates of MCI Worldcom, Inc., which includes Teleconnect. Therefore, for the purposes of this application, the Applicants have been granted a waiver of the Commission's Affiliated Interests Rules and thus they do not apply to this application.

Request for Waiver of Slamming Rules

The Applicants seek a waiver of A.A.C. R14-2-1901 to -1913, the Slamming Rules, and any other applicable anti-slamming regulations that may be inconsistent with the Federal Communications Commission ("FCC")'s rules regarding the transfer of customer bases. In its application, Teleconnect indicates that it will begin providing customers a bill message notice of the pending transfer of customers to MCI on or about August 1, 2014. The notice informs the Teleconnect customers of the transfer pursuant to Section 64.1120(e) of the FCC's rules, 47 C.F.R. § 64.1120(e)(3). Staff has reviewed the notice that will be sent to those affected customers. Because

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September 30, 2014

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the notice informs customers of what the rates, terms and conditions of service will be, which for most customers will not change, as a result of the proposed transfer of customers and informs customers that they may subscribe to the telecommunications service provider of their choice, Staff believes the Commission's Slamming Rules should be waived in this matter.

Waiver of Arizona Administrative Code ("A.A.C.") R14-2-1107(A)(2) and (B)

The Applicants request that the Commission waive the customer notice section of A.A.C. R14-2-1107(A)(2) and the publication requirement specified in A.A.C. R14-2-1107(B). The Applicants state, as noted above, customers are receiving direct notice of the change in service provider as required by the FCC. Because the customers will continue to receive service, a second notice of a change of service provider will be confusing to customers and in this instance should not be required. To clarify, services will not be discontinued to any customer because Teleconnect's former customers will be served by MCI, unless they choose another service provider. Following the transfer, Teleconnect will cease to exist and hereby requests cancellation of its CC&N and all applicable tariffs effective upon the consummation of the transaction.

Staff believes that a waiver of A.A.C. R14-2-1107(A)(2) and (B) is appropriate in this Application as service to Teleconnect's customers will not be abandoned or discontinued and Teleconnect's customers will continue to receive service under the same or similar rates, terms and conditions.

Cancellation of CC&N

The Applicants request cancellation of Teleconnect's CC&N effective upon completion of the transfer of customers from Teleconnect's network. Teleconnect has no employees in Arizona and has no facilities or assets in Arizona. Teleconnect does not collect advances, deposits and/or prepayments from customers in Arizona and does not have a performance bond on file with the Commission.

Complaints and Compliance

The Consumer Services Section of the Utilities Division reports that from January 1, 2011 to August 15, 2014 there have been no complaints, inquiries, or opinions about Teleconnect. There have been two complaints in 2011, two complaints in 2012, one complaint in 2013 and zero complaints in 2014 about MCI and all complaints have been resolved and closed. According to the Corporations Division, both MCI and Teleconnect are in good standing. Both MCI and Teleconnect have filed their respective 2013 Utilities Annual Reports. The Compliance Section of the Utilities Division reports both MCI and Teleconnect are in compliance.

Staff Recommendations

Staff recommends approval of the Application of MCI and Teleconnect for MCI to acquire the Arizona customers of Teleconnect. Staff also recommends, upon notification from the Applicants that the proposed transfer of customers has been completed, that Teleconnect's resold interLATA and IntraLATA interexchange services CC&N and tariff be cancelled. Upon cancellation of its CC&N, Teleconnect will no longer be authorized to provide telecommunications

THE COMMISSION

September 30, 2014

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services in Arizona. Therefore, Teleconnect will no longer be subject to the requirements of Decision No. 62312.

Staff further recommends that approval be conditioned on the following:

- The Applicants provide written notice to Docket Control within thirty (30) days following completion of the transfer of customers from Teleconnect to MCI.

Staff believes the Commission's Slamming and Discontinuance Rules all apply to this transaction. However, based on the above, Staff recommends the following:

- A waiver of A.A.C. R14-2-1904 et seq. and any other applicable anti-slamming regulations that may be inconsistent with the FCC's rules regarding the transfer of customer bases because the notice informs most customers that the rates, terms and conditions of service will not change as a result of this proposed transfer and provides the few customers whose services and rates are not available on the MCI billing platform with a detailed description of their proposed new service and rates and informs all customers that they may subscribe to the telecommunications service provider of their choice;
- A waiver of A.A.C. R14-2-1107(A)(2), which governs a telecommunications company's verification that all affected customers have been notified of the proposed discontinuance of service and that all affected customers will have access to an alternative interexchange service provider.
- A waiver of A.A.C. R14-2-1107(B), which requires that the Applicant publish legal notice of the application in all counties affected by the application describing with particularity the substance of the application.



Steven M. Olea
Director
Utilities Division

SMO:LLM:sms\RWG

ORIGINATOR: Lori L. Morrison

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 BOB STUMP
Chairman
3 GARY PIERCE
Commissioner
4 BRENDA BURNS
Commissioner
5 BOB BURNS
Commissioner
6 SUSAN BITTER SMITH
Commissioner

7
8 IN THE MATTER OF THE APPLICATION)
OF MCI COMMUNICATIONS SERVICES,)
9 INC. DBA VERIZON BUSINESS SERVICES)
AND TELECONNECT LONG DISTANCE)
10 SERVICES AND SYSTEMS COMPANY FOR)
APPROVAL OF JOINT APPLICATION)
11 FOR WAIVER OF SLAMMING RULES)
AND DISCONTINUANCE OF SERVICE.)
12

DOCKET NOS. T-03394A-14-0299
T-02533A-14-0299

DECISION NO. _____

ORDER

13
14 Open Meeting
October 16, 2014
Phoenix, Arizona
15

16 BY THE COMMISSION:

17 FINDINGS OF FACT

18 1. On August 11, 2014, MCI Communications Services, Inc. dba Verizon Business
19 Services ("MCI") and Teleconnect Long Distance Services And Systems Company ("Teleconnect")
20 (together, "Applicants"), filed a joint application requesting approval from the Arizona Corporation
21 Commission ("Commission") of the transfer of Teleconnect's long distance customers in Arizona to
22 MCI.

23 2. In addition, the Applicants seek approval to cancel Teleconnect's interexchange
24 services Certificate of Convenience and Necessity ("CC&N") in Arizona, a waiver of the
25 Commission's Consumer Protections for Unauthorized Carrier Charges ("Slamming") Rules and any
26 other necessary approvals.

27 3. In support of this filing, Applicants provide the following information.

28 ...

1 **Introduction**

2 4. This transaction is part of a multi-state initiative to consolidate certain Verizon
3 subsidiaries in the provision of telephone services that are currently provided through multiple and
4 duplicative state-specific subsidiaries. The Applicants are coordinating proceedings in multiple states
5 with an expected implementation date of October 15, 2014, and are requesting approval of the Joint
6 Application no later than the Commission's October Open Meeting to allow sufficient time for
7 processing and implementation. The transfer of customers, for the most part, will not result in a
8 change of the affected customer's rates, terms and conditions for their regulated services except that
9 those customers who were previously served by Teleconnect will be served by MCI going forward.
10 For the few customers whose services and rates are not available on the MCI billing platform, a
11 description and detail of their proposed new service and rates are described in detail in their direct
12 customer notice.

13 5. Teleconnect's customers in all states in which it operates will be transferred to MCI
14 beginning on or after September 1, 2014, subject to required regulatory approvals. Following the
15 transfer, these customers will be served by MCI. MCI's tariffs will be revised to incorporate
16 Teleconnect's services as applicable. Teleconnect will cease to operate and seeks cancellation of all
17 applicable authorities and tariffs to the extent required.

18 **Description of the Applicants**

19 **MCI Communications Services, Inc. dba Verizon Business Services**

20 6. MCI was incorporated under the laws of the State of Delaware on January 3, 1992, and its
21 principal offices are located in Basking Ridge, New Jersey. The company that is now MCI
22 Communications Services, Inc. d/b/a Verizon Business Services was authorized to provide
23 interLATA and intraLATA interexchange services in Decision No. 54507, issued May 1, 1985. MCI
24 currently offers interexchange services in Arizona. MCI is ultimately owned and controlled by
25 Verizon Communications, Inc.

26 **Teleconnect Long Distance Services and Systems Company**

27 7. Teleconnect was incorporated under the laws of the State of Iowa on November 20,
28 1986, and its principal office is located in Basking Ridge, New Jersey. The company was authorized to

1 provide resold intraLATA and interLATA toll service in Decision No. 62312, issued February 17,
2 2000. Teleconnect provides resold long distance service including toll free and calling card services in
3 Arizona. Additionally, Teleconnect provides 1010 dial around and operator services for casual calling
4 customers. Teleconnect is owned and controlled by Verizon Communications, Inc.

5 Description of Transfer of Customers

6 8. The Applicants state that MCI is acquiring Teleconnect's long distance-related business
7 in Arizona and in other states in which it currently operates beginning on or after September 1, 2014,
8 subject to regulatory approval. Following the transfer from Teleconnect, affected customers will be
9 served by MCI. MCI's tariffs will be revised to incorporate Teleconnect's services as applicable.
10 Teleconnect will cease to operate and seeks cancellation of its CC&N and tariffs in Arizona.

11 Staff's Analysis

12 Affiliated Interest Rules

13 9. In Decision No. 62702, issued June 30, 2000, the Applicants were granted limited
14 waivers of A.A.C. R14-2-804, the Commission's Affiliated Transaction rules as part of a larger filing
15 submitted by the affiliates of MCI Worldcom, Inc., which includes Teleconnect. Therefore, for the
16 purposes of this application, the Applicants have been granted a waiver of the Commission's Affiliated
17 Interests Rules and thus they do not apply to this application.

18 Request for Waiver of Slamming Rules

19 10. The Applicants seek a waiver of A.A.C. R14-2-1901 to -1913, the Slamming Rules, and
20 any other applicable anti-slamming regulations that may be inconsistent with the Federal
21 Communications Commission ("FCC")'s rules regarding the transfer of customer bases. In its
22 application, Teleconnect indicates that it will begin providing customers a bill message notice of the
23 pending transfer of customers to MCI on or about August 1, 2014. The notice informs the
24 Teleconnect customers of the transfer pursuant to Section 64.1120(e) of the FCC's rules, 47 C.F.R. §
25 64.1120(e)(3).

26 11. Staff has reviewed the notice that will be sent to those affected customers. Because the
27 notice informs customers of what the rates, terms and conditions of service will be, which for most
28 customers will not change as a result of the proposed transfer of customers and informs customers

1 that they may subscribe to the telecommunications service provider of their choice, Staff believes the
2 Commission's Slamming Rules should be waived in this matter.

3 **Request for Waivers of A.A.C. R14-2-1107(A)(2) and (B)**

4 12. The Applicants request that the Commission waive the customer notice section of A.A.C.
5 R14-2-1107(A)(2) and the publication requirement specified in A.A.C. R14-2-1107(B). The Applicants
6 state, as noted above, customers are receiving direct notice of the change in service provider as
7 required by the FCC. Because the customers will continue to receive service, a second notice of a
8 change of service provider will be confusing to customers and in this instance should not be required.
9 To clarify, services will not be discontinued to any customer because Teleconnect's former customers
10 will be served by MCI, unless they choose another service provider. Following the transfer,
11 Teleconnect will cease to exist and hereby requests cancellation of its CC&N and all applicable tariffs
12 effective upon the consummation of the transaction.

13 13. Staff believes that a waiver of A.A.C. R14-2-1107(A)(2) and (B) is appropriate in this
14 Application as service to Teleconnect's customers will not be abandoned or discontinued and
15 Teleconnect's customers will continue to receive service under the same or similar rates, terms and
16 conditions.

17 **Cancellation of CC&N**

18 14. The Applicants request cancellation of Teleconnect's CC&N effective upon completion
19 of the transfer of customers from Teleconnect's network. Teleconnect has no employees in Arizona
20 and has no facilities or assets in Arizona. Teleconnect does not collect advances, deposits and/or
21 prepayments from customers in Arizona and does not have a performance bond on file with the
22 Commission.

23 **Complaints and Compliance**

24 15. The Consumer Services Section of the Utilities Division reports that from January 1, 2011
25 to August 15, 2014 there have been no complaints, inquiries, or opinions about Teleconnect. There
26 have been two complaints in 2011, two complaints in 2012, one complaint in 2013 and zero
27 complaints in 2014 about MCI and all complaints have been resolved and closed. According to the
28 Corporations Division, both MCI and Teleconnect are in good standing. Both MCI and Teleconnect

1 have filed their respective 2013 Utilities Annual Reports. The Compliance Section of the Utilities
2 Division reports both MCI and Teleconnect are in compliance.

3 Staff Recommendations

4 16. Staff recommends approval of the Application of MCI and Teleconnect for MCI to
5 acquire the Arizona customers of Teleconnect. Staff also recommends, upon notification from the
6 Applicants that the proposed transfer of customers has been completed, Teleconnect's resold
7 interLATA and IntraLATA interexchange services CC&N and tariff be cancelled. Upon cancellation
8 of its CC&N, Teleconnect will no longer be authorized to provide telecommunications services in
9 Arizona. Therefore, Teleconnect will no longer be subject to the requirements of Decision No.
10 62312.

11 17. Staff further recommends that approval be conditioned on the following:

- 12 • The Applicants provide written notice to Docket Control within thirty (30)
13 days following completion of the transfer of customers from Teleconnect to
14 MCI;

15 18. Staff believes the Commission's Slamming and Discontinuance Rules all apply to this
16 transaction. However, based on the above, Staff recommends the following:

- 17 • A waiver of A.A.C. R14-2-1904 et seq. and any other applicable anti-slamming
18 regulations that may be inconsistent with the FCC's rules regarding the transfer
19 of customer bases because the notice informs most customers that the rates,
20 terms and conditions of service will not change as a result of this proposed
21 transfer and provides the few customers whose services and rates are not
22 available on the MCI billing platform with a detailed description of their
23 proposed new service and rates and informs all customers that they may
24 subscribe to the telecommunications service provider of their choice.
- 25 • A waiver of A.A.C. R14-2-1107(A)(2), which governs a telecommunications
26 company's verification that all affected customers have been notified of the
27 proposed discontinuance of service and that all affected customers will have
28 access to an alternative interexchange service provider.
- A waiver of A.A.C. R14-2-1107(B), which requires that the Applicant publish
legal notice of the application in all counties affected by the application.

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CONCLUSIONS OF LAW

1
2 1. MCI Communications Services, Inc. dba Verizon Business Services and Teleconnect
3 Long Distance Services And Systems Company are public service corporations within the meaning of
4 Article XV of the Arizona Constitution.

5 2. The Commission has jurisdiction over MCI Communications Services, Inc. dba
6 Verizon Business Services and Teleconnect Long Distance Services And Systems Company and the
7 subject matter in this filing.

8 3. The Commission, having reviewed the filing and Staff's Memorandum dated
9 September 30, 2014, concludes that it is in the public interest to grant approval as proposed and
10 discussed herein.

ORDER

11
12 IT IS THEREFORE ORDERED that the Application of MCI Communications Services,
13 Inc. dba Verizon Business Services to acquire the customers of Teleconnect Long Distance Services
14 And Systems Company be and hereby is approved as discussed herein.

15 IT IS FURTHER ORDERED that the request for a waiver of A.A.C. R14-2-1904 et seq. and
16 any other applicable anti-slamming regulations that may be inconsistent with the FCC's rules regarding
17 the transfer of customer bases be and hereby is approved.

18 IT IS FURTHER ORDERED that the request for a waiver of A.A.C. R14-2-1107(A)(2),
19 governing a telecommunications company's verification that all affected customers have been notified
20 of the proposed transfer and A.A.C. R14-2-1107(B), which requires that the Applicant publish legal
21 notice of the application in all counties affected by the application be and hereby is approved.

22 IT IS FURTHER ORDERED that within thirty (30) days following the completion of the
23 transfer of customers, MCI Communications Services, Inc. dba Verizon Business Services and
24 Teleconnect Long Distance Services And Systems Company shall inform the Commission by filing an
25 affidavit with Docket Control that customer transfer related activities are completed.

26 ...
27 ...
28 ...

1 SERVICE LIST FOR: MCI COMMUNICATIONS SERVICES, INC. DBA VERIZON
2 BUSINESS SERVICES AND TELECONNECT LONG DISTANCE
3 SERVICES AND SYSTEMS COMPANY
4 DOCKET NOS. T-03394A-14-0299 AND T-02533A-14-0299

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