

ORIGINAL
COMMISSIONERS
SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

OPEN MEETING ITEM



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Executive Director

ARIZONA CORPORATION COMMISSION

2015 MAR 30 P 1:37

DATE: MARCH 30, 2015

DOCKET NO.: T-03924A-13-0007

AZ CORP COMMISSION
DOCKET CONTROL

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Yvette Kinsey. The recommendation has been filed in the form of an Order on:

ZONE TELECOM, LLC
(CC&N)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

APRIL 8, 2015

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

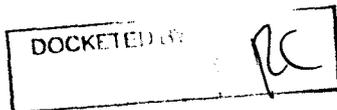
APRIL 14, 2015 and APRIL 15, 2015

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

MAR 30 2015



JODI JERICHI
EXECUTIVE DIRECTOR

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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 SUSAN BITTER SMITH - Chairman
4 BOB STUMP
5 BOB BURNS
6 DOUG LITTLE
7 TOM FORESE

8 IN THE MATTER OF THE APPLICATION OF
9 ZONE TELECOM, LLC FOR A CERTIFICATE OF
10 CONVENIENCE AND NECESSITY TO PROVIDE
11 RESOLD LOCAL EXCHANGE
12 TELECOMMUNICATION SERVICES.

DOCKET NO. T-03924A-13-0007

DECISION NO. _____

ORDER

9 Open Meeting
10 April 14 and 15, 2015
11 Phoenix, Arizona

12 **BY THE COMMISSION:**

13 Having considered the entire record herein and being fully advised in the premises,
14 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

15 FINDINGS OF FACT

16 1. On January 10, 2013, Zone Telecom, LLC ("Zone") filed an application for
17 Certificate of Convenience and Necessity ("CC&N") to provide resold local exchange and re
18 Voice over Internet Protocol ("VoIP") telecommunication services within the State of Ariz
19 Zone's application also requests a determination that its proposed services are competitiv
20 Arizona.

21 2. On November 3, 2014, Zone filed an amendment to its application that notified
22 Commission that Zone had changed its name to ANPI Business, LLC (herein after "ANPI Busin
23 or "Company").

24 3. On December 24, 2014, ANPI Business filed a Notice of Filing Affidavit
25 Publication stating that notice of the amended application had been published in the *Ariz*
Republic, a newspaper of general circulation in the State of Arizona.

26 4. On February 4, 2015, the Company filed replacement pages to its proposed tariffs.
27
28

1 5. On March 5, 2015, the Commission's Utilities Division's ("Staff"), filed a Staff
2 Report recommending approval of ANPI Business' amended application, subject to certain
3 conditions.

4 6. ANPI Business is a foreign limited liability company organized under the laws of
5 Delaware, with its headquarters in Frisco, Texas.¹

6 7. ANZ Communications, LLC ("ANZ") is the parent company for ANPI Business and
7 ANPI, LLC.² ANPI Business provides wholesale interexchange services in nearly every state and is
8 also the managing member and 25 percent owner of Common Point, LLC, a wholesale provider of
9 tandem access and switched access services.³

10 8. ANPI Business is currently authorized and providing resold long distance
11 telecommunication services in Arizona.⁴

12 9. Notice of ANPI Business' amended application was given in accordance with the law.

13 10. Staff recommends approval of ANPI Business' amended application for a CC&N to
14 provide intrastate telecommunication services in Arizona, subject to the following conditions:

- 15 a. ANPI Business complies with all Commission Rules, Orders and other
16 requirements relevant to the provision of intrastate telecommunication
services;
- 17 b. ANPI Business abides by the quality of service standards that were approved
18 by the Commission for Qwest in Docket No. T-01051B-13-0199;
- 19 c. ANPI Business be prohibited from barring access to alternative local exchange
20 service providers who wish to serve areas where the Company is the only
provider of local exchange service facilities;
- 21 d. ANPI Business be required to notify the Commission immediately upon
changes to the Company's name, address or telephone number;
- 22 e. ANPI Business cooperate with Commission investigations including, but not
23 limited to customer complaints;
- 24 f. The rates proposed by this filing are for competitive services. In general, rates
25 for competitive services are not set according to rate of return regulation. The
Company indicated that its fair value rate base is zero. Staff has reviewed the

26 ¹ Amended Application.

27 ² *Id.*

28 ³ *Id.*

⁴ In Decision No. 63523 (March 30, 2001), the Commission granted Zone, now known as, ANPI Business, authorization to provide resold long distance services in Arizona.

1 rates to be charged by the Company and believes they are just and reason
 2 as they are comparable to other competitive local carriers and local incur
 3 carriers offering service in Arizona and comparable to the rates ANPI Bus.
 4 charges in other jurisdictions. The rate to be ultimately charged by
 5 Company will be heavily influenced by the market. Therefore, while
 6 considered the fair value rate base information submitted by the company
 7 fair value information provided was not given substantial weight in
 8 analysis;

- 9
- 10 g. ANPI Business offer Caller ID with the capability to toggle between bloc
 11 and unblocking the transmission of the telephone number at no charge;
 - 12 h. ANPI Business offer Last Call Return service that will not return call
 13 telephone numbers that have the privacy indicator activated; and
 - 14 i. The Commission authorize ANPI Business to discount its rates and charge
 15 the marginal cost of providing the services.

16 11. Staff further recommends that ANPI Business comply with the following items a
 17 the Company fails to do so, that the Company's CC&N shall be considered null and void after
 18 process:

- 19 (a) ANPI Business shall docket conforming tariff pages for each service withi
 20 CC&N within 365 days from the date of an Order in this matter or 30
 21 prior to providing service to its first customer, whichever comes first.
 22 tariffs submitted shall coincide with the application;
- 23 (b) ANPI Business shall notify the Commission through a compliance fi
 24 within 30 days of the commencement of service to its first end-user custod
 25 and
- 26 (c) ANPI Business shall abide by the Commission adopted rules that add
 27 Universal Service in Arizona. A.A.C. R14-2-1204(A) indicates that
 28 telecommunications service providers that interconnect into the pu
 switched network shall provide funding for the Arizona Universal Ser
 Fund ("AUSF"). ANPI Business will make the necessary monthly paym
 required by A.A.C. R14-2-1204(B).

12. Staff also recommends that the Company's proposed services be classified
 competitive given the availability of alternatives, the Company's lack of market power, and
 inability for the Company to adversely affect the local exchange markets.

Technical Capability

13. ANPI Business is currently offering resold local exchange telecommunication servi
 in thirty-two (32) states/jurisdictions.⁵ A review of twelve of the thirty-two states/jurisdictions wh

⁵ ANPI Business is authorized to provide resold local exchange services in the following states: Alabama, Ala
 California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Kar

1 ANPI Business is certificated or registered showed that no consumer complaints were filed against
2 the Company.⁶

3 14. The Company's senior management team has an average of 18 years' experience
4 in the telecommunication industry.⁷

5 15. ANPI Business intends to provide its proposed resold local exchange services
6 primarily to small and medium business customers in Arizona and not to residential customers.
7 ANPI Business will provide its services in Arizona by reselling the services of CenturyLink,
8 Version, and Level 3, Broadvox, Neutral Tandem, Hypercube, and AT&T.⁸

9 16. Staff believes the Company possesses the technical capabilities to provide its
10 proposed services in Arizona.

11 **Financial Capabilities**

12 17. ANPI Business provided unaudited financial statements for the 12 months
13 ending December 31, 2012, listing total assets of \$27,514,870; total equity of \$19,199,533; and
14 a net income of \$2,468,568.⁹ For the 12 months ending December 31, 2013, the Company listed
15 total assets of \$12,684,549, total equity of \$10,491,664, and a net income of \$1,064,916.¹⁰

16 18. The Company's amended application states that ANPI Business will rely solely
17 on its own finances to fund its operations in Arizona.¹¹

18 **Rates and Charges**

19 19. ANPI Business docketed proposed tariffs showing the Company's proposed rates
20 and charges as well as a comparison of its rates to other incumbent local exchange carriers
21 ("ILECs") operating in Arizona. Staff believes that ANPI Business will have to compete with
22 other ILECs and various competitive local exchange carriers ("CLECs") in Arizona in order to
23

24 Massachusetts, Maryland, Maine, North Carolina, North Dakota, Nebraska, New Hampshire, Nevada, New York,
25 Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Washington,
Wisconsin, and Wyoming.

26 ⁶ Staff Report at 1.

27 ⁷ *Id.* at 2.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

28 ¹¹ Amended Application.

1 gain new customers.¹² Staff states it does not believe ANPI Business will be able to e
 2 market power given its status and therefore the competitive process will yield rates that are
 3 and reasonable.¹³

4 20. Pursuant to A.A.C. R14-2-1109, both the actual rate and the maximum rate r
 5 be listed for each service ANPI Business proposes to offer and those rates may not be less
 6 the Company's total service long-run incremental cost of providing that service.¹⁴

7 21. ANPI Business states that its projected fair value rate base ("FVRB") will be
 8 for the first 12 months of operation in Arizona.¹⁵ Staff believes the Company's FVRB is
 9 small to be useful in a fair value analysis, the FVRB would not be useful in setting rates,
 10 therefore the Company's FVRB should not be given substantial weight in this analysis. S
 11 reviewed the proposed rates submitted by the Company and believes they are comparable to
 12 rates charge by CLECs and ILECs operating in Arizona. Therefore, Staff states that in gen
 13 rates for competitive services are not set according to a rate of return regulation, but are hea
 14 influenced by the market. Staff recommends that while it considered the FVRB informat
 15 that it not be given substantial weight in setting rates for ANPI Business.

16 **Local Exchange Carrier Specific Issues**

17 22. Pursuant to A.A.C. R14-2-1308(A) and federal laws and rules, ANPI Busi
 18 must make number portability available to facilitate the ability of customers to switch betw
 19 authorized local carriers within a given wire center without changing their telephone nur
 20 and without impairment to quality, functionality, reliability, or convenience of use.

21 23. Pursuant to A.A.C. R14-2-1204(A), all telecommunication service providers
 22 interconnect to the public switched telephone network shall provide funding for the AU
 23 ANPI Business shall make payments to the AUSF described under A.A.C. R14-2-1204(B).

24 24. In Commission Decision No. 74208 (December 3, 2013), the Commis
 25 approved quality of service standards for Qwest to insure customers received a satisfac
 26

27 ¹² Staff Report at 3

¹³ *Id.*

¹⁴ *Id.* at 2.

28 ¹⁵ Amended Application at Attachment F.

1 level of service. In this matter, Staff believes ANPI Business should be ordered to abide by
2 those service standards.

3 25. In areas where the Company is the only local exchange service provider, Staff
4 recommends that ANPI Business be prohibited from barring access to alternative local
5 exchange service providers who wish to serve the area.

6 26. If the Company begins to provide local exchange service, ANPI Business will
7 provide all customers with 911 and E911 service where available, or will coordinate with
8 ILECs and emergency service providers to facilitate the service as set forth in A.A.C. R14-2-
9 1206 (6)(d) and the Federal Communications Commission, 47 CFR §§ 64.3001 and 64.3002.

10 27. Pursuant to prior Commission Decisions, ANPI Business may offer customer
11 local area signaling services such as Caller ID and Call Blocking, so long as the customer is
12 able to block or unblock each individual call at no additional cost.

13 28. ANPI Business must offer Last Call Return service, which will not allow the
14 return of calls to the telephone numbers that have the privacy indicator activated.

15 **Complaint Information**

16 29. ANPI Business states that none of the Company's officers, directors, partners, or
17 managers have been involved in any civil or criminal investigations, or had judgments entered
18 in any civil matter, or by any administrative or regulatory agency, or been convicted of any
19 criminal acts within the last ten (10) years.¹⁶

20 30. ANPI Business has not had an application for service denied in any state.¹⁷

21 31. The Commission's Consumer Services Section reported that no complaints,
22 inquires, or opinions had filed against ANPI Business from January 1, 2011 through December
23 1, 2014.¹⁸

24 32. The Company is in good standing with the Commission's Corporations
25 Division.¹⁹

26 _____
27 ¹⁶ Amended Application.

28 ¹⁷ *Id.*

¹⁸ Staff Report at 4.

¹⁹ *Id.*

1 33. A review of the Federal Communication Commission's website revealed tha
2 complaints had been filed against the Company.²⁰

3 **Competitive Review**

4 34. ANPI Business' application requests that its proposed telecommunica
5 services in Arizona be classified as competitive.

6 35. Staff believes that the Company's proposed services should be classified
7 competitive because ANPI Business will have to compete with CLECs and ILECs to
8 customers; there are alternative providers to the Company's proposed services; ILECs ho
9 virtual monopoly in local exchange; that there are other wireless carriers and VoIP provi
10 that ANPI Business will have to compete with; and that ANPI Business will not have the ab
11 to adversely affect the local exchange market in Arizona.

12 36. Based on the above factors, Staff recommends that the Company's propo
13 services should be classified as competitive.

14 37. Staff's recommendations are reasonable and should be adopted.

15 **CONCLUSIONS OF LAW**

16 1. ANPI Business is a public service corporation within the meaning of Article XV o
17 Arizona Constitution, A.R.S. §§ 40-281 and 40-282.

18 2. The Commission has jurisdiction over ANPI Business and the subject matter of
19 application.

20 3. Notice of the amended application was given in accordance with the law.

21 4. A.R.S. §40-282 allows a telecommunication company to file an application f
22 CC&N to provide competitive telecommunication services.

23 5. Pursuant to Article XV of the Arizona Constitution, as well as the Arizona Rev
24 Statutes, it is in the public interest for ANPI Business to provide the resold local telecommunica
25 services as set forth in the amended application.

26 6. ANPI Business is a fit and proper entity to receive a CC&N authorizing it to pro
27

28 ²⁰ Staff Report at 4.

1 intrastate telecommunication services in Arizona, subject to Staff's recommendations as set forth
2 herein.

3 7. The Company's fair value rate base is not useful in determining just and reasonable
4 rates for the competitive services it proposes to provide to Arizona customers.

5 8. Pursuant to Article XV of the Arizona Constitution as well as the Competitive Rules, it
6 is just and reasonable and in the public interest for ANPI Business to establish rates and charges that
7 are not less than the Company's total service long-run incremental costs of providing the competitive
8 services approved herein.

9 9. Pursuant to A.R.S. § 40-282, the application in this matter may be approved without a
10 hearing.

11 10. Staff's recommendations are reasonable and should be adopted.

12 **ORDER**

13 IT IS THEREFORE ORDERED that the application of ANPI Business, LLC for a Certificate
14 of Convenience and Necessity to provide resold local exchange telecommunication services in
15 Arizona, is hereby approved, subject to Staff's recommendations as more fully described in Findings
16 of Fact Nos. 10 and 11.

17 IT IS FURTHER ORDERED that ANPI Business, LLC's resold local exchange
18 telecommunication services are competitive in Arizona.

19 ...
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1 IT IS FURTHER ORDERED that if ANPI Business, LLC fails to comply with the S
2 recommendations described in Findings of Fact No. 11, the Certificate of Convenience and Neces
3 granted herein shall be considered null and void after due process.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
6
7

8 CHAIRMAN _____ COMMISSION

9
10 COMMISSIONER _____ COMMISSIONER _____ COMMISSION

11
12 IN WITNESS WHEREOF, I, JODI JERICH, Execu
13 Director of the Arizona Corporation Commission, h
14 hereunto set my hand and caused the official seal of
15 Commission to be affixed at the Capitol, in the City of Phoe
16 this _____ day of _____ 201

16 JODI JERICH
17 EXECUTIVE DIRECTOR

18 DISSENT _____

19
20 DISSENT _____
21 YK/ru

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25
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27
28

1 SERVICE LIST FOR: ZONE TELECOM, LLC

2 DOCKET NO.: T-03924A-13-0007

3
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