

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: November 24, 2015

DOCKETED BY *[Signature]*

RE: IN THE MATTER OF THE APPLICATION OF GLOBAL CROSSING LOCAL SERVICES, INC. AND GLOBAL CROSSING TELECOMMUNICATIONS, INC. TO CANCEL BOND REQUIREMENT (DOCKET NOS. T-02438B-15-0365 AND T-03658A-15-0365)

INTRODUCTION

On October 28, 2015, Global Crossing Local Services, Inc. ("GCLS"), Global Crossing Telecommunications, Inc. ("GCTI"), together ("Applicants"), and Level 3 Communications, Inc. ("Level 3")¹ submitted an Application with the Arizona Corporation Commission ("Commission" or "ACC") requesting rescission of the bond requirement contained in ACC Decision Nos. 65653, 69345, and 71324. On November 3, 2015, the Applicants filed a Supplement to Application that included a Notice of Compliance Filing, dated May 21, 2003 with a revised Escrow Agreement.

In its Application, GCLS and GCTI state that it has maintained the Escrow Account holding \$235,000 since 2003 as required by Decision No. 65653.

BACKGROUND

On February 18, 2003, in Decision No. 65653, the Commission ordered Global Crossing North American Holdings, Inc., ("GCNA Holdings") parent company of the Applicants, to procure a performance bond in the amount of \$235,000 and docket proof of the bond. On April 30, 2003, Global Crossing Ltd. ("GCL") parent company of GCNA Holdings, docketed a Notice of Compliance Filing with an Escrow Agreement, between Global Crossing North America, Inc. and HSBC BANK USA, and a deposit slip in the amount of \$235,000 in compliance to Decision No. 65653.² On May 21, 2003, GCL filed a Notice of Compliance Filing containing a revised Escrow Agreement.

Subsequent Decision Nos. 69345 and 71324, dated February 20, 2007 and October 30, 2009, respectively, relative to encumbrance of assets in connection with financing, required the Applicants to exclude Arizona customer deposits and prepayments, if any, from encumbrance, or, in the alternative, be secured by a performance bond or an irrevocable sight draft letter of credit ("ISDLOC") in the amount of the customer deposits and prepayments held by the Applicants. The Applicants indicated in its Application that it does not hold any deposits or prepayments in Arizona. On April 11, 2011, GCL and Level 3 entered into a merger agreement. On June 27, 2011, in Decision No. 72431, the Commission approved the proposed transactions pursuant to Arizona

¹ Applicants are currently indirect subsidiaries of Level 3 Communications, Inc.

² Applicants' parent company was unable to obtain a performance bond as it was still emerging from bankruptcy. The Applicants state that with Staff's approval, it set-up an escrow account which held funds in trust for the ACC.

Administrative Code ("A.A.C.") R14-2-803, A.A.C. R14-2-804, Arizona Revised Statutes ("A.R.S.") § 40-285 and A.R.S. § 40-301.D in order to complete a transfer of control and participate in certain financing arrangements related to the proposed merger.

As stated in its Application, the Applicants currently have open an Escrow Account containing \$235,000 cash held by HSBC Bank USA. The Escrow Account was established in compliance to Decision No. 65653 and pursuant to the Escrow Agreement, dated April 28, 2003, and filed on May 21, 2003. The Applicants are requesting the performance bond requirement and all associated customer deposit or prepayment restrictions contained in Decision Nos. 65653, 69345 and 71324 be cancelled.

COMPLAINTS AND COMPLIANCE

The Consumer Services Section of the Utilities Division reports there have been no complaints or opinions filed against GCLS and GCTI from January 1, 2012 to November 12, 2015. Both GCLS and GCTI filed their 2014 Utilities Annual Report on April 15, 2015. According to the Commission's Corporations Division, GCLS and GCTI are in good standing. The Compliance Section of the Utilities Division reports that the Applicants are currently in compliance.

STAFF RECOMMENDATIONS

The Commission, in appropriate circumstances, has relieved telecommunications providers of the obligation to maintain a performance bond or ISDLOC. Staff recommends that GCLS and GCTI be relieved of the \$235,000 performance bond or ISDLOC obligation contained in Decision No. 65653. Staff and the Applicants have agreed that it is unnecessary to release any restrictions associated with customer deposits or pre-payments contained in Decision Nos. 69345 and 71324.

The Applicants state in its Application that in order to terminate the Escrow Account, it requests the Commission include an ordering paragraph identifying the order as the "Termination Order" and instructing the Escrow Agent to terminate the Escrow Account as permitted under Section 5(a) of the Escrow Agreement, dated April 28, 2003, between Global Crossing North American, Inc. and HSBC BANK USA. Staff recommends the Commission do so.



Thomas M. Broderick
Director
Utilities Division

TMB: PJG:nr/BH

ORIGINATOR: Pamela J. Genung

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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
TOM FORESE
Commissioner

IN THE MATTER OF THE APPLICATION)
OF GLOBAL CROSSING LOCAL)
SERVICES, INC. AND GLOBAL CROSSING)
TELECOMMUNICATIONS, INC. TO)
CANCEL BOND REQUIREMENT.)

DOCKET NO. T-02438B-15-0365
DOCKET NO. T-03658A-15-0365
DECISION NO. _____
ORDER

Open Meeting
December 8 and 9, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On October 28, 2015, Global Crossing Local Services, Inc. ("GCLS"), Global Crossing Telecommunications, Inc. ("GCTI"), together ("Applicants"), and Level 3 Communications, Inc. ("Level 3")¹ submitted an Application with the Arizona Corporation Commission ("Commission" or "ACC") requesting rescission of the bond requirement contained in ACC Decision Nos. 65653, 69345, and 71324. On November 3, 2015, the Applicants filed a Supplement to Application that included a Notice of Compliance Filing, dated May 21, 2003 with a revised Escrow Agreement.

2. In its Application, GCLS and GCTI state that it has maintained the Escrow Account holding \$235,000 since 2003 as required by Decision No. 65653.

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¹ Applicants are currently indirect subsidiaries of Level 3 Communications, Inc.

1 Background

2 3. On February 18, 2003, in Decision No. 65653, the Commission ordered Global
3 Crossing North American Holdings, Inc., (“GCNA Holdings”) parent company of the Applicants, to
4 procure a performance bond in the amount of \$235,000 and docket proof of the bond. On April 30,
5 2003, Global Crossing Ltd. (“GCL”) parent company of GCNA Holdings, docketed a Notice of
6 Compliance Filing with an Escrow Agreement, between Global Crossing North America, Inc. and
7 HSBC BANK USA, and a deposit slip in the amount of \$235,000 in compliance to Decision No.
8 65653.² On May 21, 2003, GCL filed a Notice of Compliance Filing containing a revised Escrow
9 Agreement.

10 4. Subsequent Decision Nos. 69345 and 71324, dated February 20, 2007 and October 30,
11 2009, respectively, relative to encumbrance of assets in connection with financing, required the
12 Applicants to exclude Arizona customer deposits and prepayments, if any, from encumbrance, or, in
13 the alternative, be secured by a performance bond or an irrevocable sight draft letter of credit
14 (“ISDLOC”) in the amount of the customer deposits and prepayments held by the Applicants. The
15 Applicants indicated in its Application that it does not hold any deposits or prepayments in Arizona.
16 On April 11, 2011, GCL and Level 3 entered into a merger agreement. On June 27, 2011, in Decision
17 No. 72431, the Commission approved the proposed transactions pursuant to Arizona Administrative
18 Code (“A.A.C.”) R14-2-803, A.A.C. R14-2-804, Arizona Revised Statutes (“A.R.S.”) § 40-285 and
19 A.R.S. § 40-301.D in order to complete a transfer of control and participate in certain financing
20 arrangements related to the proposed merger.

21 5. As stated in its Application, the Applicants currently have open an Escrow Account
22 containing \$235,000 cash held by HSBC Bank USA. The Escrow Account was established in
23 compliance to Decision No. 65653 and pursuant to the Escrow Agreement, dated April 28, 2003, and
24 filed on May 21, 2003. The Applicants are requesting the performance bond requirement and all
25 associated customer deposit or prepayment restrictions contained in Decision Nos. 65653, 69345 and
26 71324 be cancelled.

27 _____
28 ² Applicants’ parent company was unable to obtain a performance bond as it was still emerging from bankruptcy. The Applicants state that with Staff’s approval, it set-up an escrow account which held funds in trust for the ACC.

1 **Complaints and Compliance**

2 6. The Consumer Services Section of the Utilities Division reports there have been no
3 complaints or opinions filed against GCLS and GCTI from January 1, 2012 to November 12, 2015.
4 Both GCLS and GCTI filed their 2014 Utilities Annual Report on April 15, 2015. According to the
5 Commission's Corporations Division, GCLS and GCTI are in good standing. The Compliance
6 Section of the Utilities Division reports that the Applicants are currently in compliance.

7 **Staff Recommendations**

8 7. The Commission, in appropriate circumstances, has relieved telecommunications
9 providers of the obligation to maintain a performance bond or ISDLOC. Staff recommends that
10 GCLS and GCTI be relieved of the \$235,000 performance bond or ISDLOC obligation contained in
11 Decision No. 65653. Staff and the Applicants have agreed that it is unnecessary to release any
12 restrictions associated with customer deposits or pre-payments contained in Decision Nos. 69345 and
13 71324.

14 8. The Applicants state in its Application that in order to terminate the Escrow Account,
15 it requests the Commission include an ordering paragraph identifying the order as the "Termination
16 Order" and instructing the Escrow Agent to terminate the Escrow Account as permitted under
17 Section 5(a) of the Escrow Agreement, dated April 28, 2003, between Global Crossing North
18 American, Inc. and HSBC BANK USA. Staff recommends the Commission do so.

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CONCLUSIONS OF LAW

21 1. Global Crossing Local Services, Inc. and Global Crossing Telecommunications, Inc.
22 are public service corporations within the meaning of Article XV of the Arizona Constitution.

23 2. The Commission has jurisdiction over Global Crossing Local Services, Inc. and Global
24 Crossing Telecommunications, Inc. and the subject matter in this filing.

25 3. The Commission, having reviewed the filing and Staff's Memorandum dated
26 November 24, 2015, concludes that it is in the public interest to approve the Global Crossing Local
27 Services, Inc. and Global Crossing Telecommunications, Inc. Application as proposed and discussed
28 herein.

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ORDER

IT IS THEREFORE ORDERED that the Application of Global Crossing Local Services, Inc. and Global Crossing Telecommunications, Inc. to terminate the performance bond or irrevocable sight draft letter of credit requirement contained in Decision No. 65653 and hereby is approved.

IT IS FURTHER ORDERED that Global Crossing Local Services, Inc. and Global Crossing Telecommunications, Inc. may cancel, rescind, discontinue and be released from any performance bond, irrevocable sight draft letter of credit, escrow agreement, escrow account or other instrument obtained in compliance with the performance bond or irrevocable sight draft letter of credit requirements set by Decision No. 65653.

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1 IT IS FURTHER ORDERED that Global Crossing Local Services, Inc. and Global Crossing
 2 Telecommunications, Inc. be allowed to terminate the Escrow Account as detailed in Findings of Fact
 3 No. 8.

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

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 6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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 9 CHAIRMAN

COMMISSIONER

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 11 COMMISSIONER

COMMISSIONER

COMMISSIONER

12
 13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
 14 Director of the Arizona Corporation Commission, have
 15 hereunto, set my hand and caused the official seal of this
 Commission to be affixed at the Capitol, in the City of
 Phoenix, this _____ day of _____, 2015.

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 18 _____
 JODI JERICH
 EXECUTIVE DIRECTOR

19
 20 DISSENT: _____

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 22 DISSENT: _____

23 TMB: PJG:nr/BH

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1 SERVICE LIST FOR: Global Crossing Local Services, Inc. and
2 Global Crossing Telecommunications, Inc.
3 DOCKET NOS. T-02438B-15-0365 and T-03658A-15-0365

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