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MEMORANDUM

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AZ CORP COMMISSION  
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TO: Docket Control

FROM: Thomas M. Broderick  
Director  
Utilities Division

*T.M. Broderick*

DATE: April 11, 2015

RE: STAFF'S RESPONSE TO WRITTEN COMMENTS IN THE MATTER OF THE COMMISSION INQUIRY INTO POSSIBLE MODIFICATION OF THE COMMISSION'S HOLDING COMPANIES AND AFFILIATED INTEREST RULES, A.A.C. ARTICLE 8, R14-2-801 ET. SEQ. (DOCKET NO. AU-00000A-15-0246)

Attached is the Staff Report regarding written comments made by interested parties on the Commission Inquiry into Possible Modification of the Commission's Holding Companies and Affiliated Interest Rules, A.A.C. Article 8, R14-2-801 et. seq., pursuant to Decision No. 75448. Decision No. 75448, ordered the Utilities Division to file with the Commission's Docket Control on or before April 11, 2016, a document including (1) a summary of any written comments filed by interested persons between the effective date of that Decision (February 11, 2016) and April 4, 2016, and the (2) the Utilities Division's responses to those comments.

TMB:MAC:nr/MAS

Originator: Matt Connolly

Arizona Corporation Commission

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APR 11 2016

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**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**COMMISSION INQUIRY INTO POSSIBLE MODIFICATION  
OF THE COMMISSION'S HOLDING COMPANIES  
AND AFFILIATED INTEREST RULES,  
A.A.C. ARTICLE 8, R14-2-801 ET. SEQ.**

**DOCKET NO. AU-00000A-15-0246**

**STAFF RESPONSE TO WRITTEN COMMENTS**

**APRIL 11, 2016**

## STAFF ACKNOWLEDGMENT

The Staff Response to Written Comments for Commission Inquiry into Possible Modification of the Commission's Holding Companies and Affiliated Interest Rules, A.A.C. Article 8, R14-2-801 et. seq., Docket No. AU-00000A-15-0246, was the responsibility of the Staff member listed below.



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Matt Connolly  
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## INTRODUCTION

The Arizona Corporation Commission ("Commission") issued Decision No. 75448 on February 11, 2016. In that Decision, the Commission ordered that the Utilities Division prepare and file, by February 12, 2016, with the Office of the Secretary of State, (1) a Notice of Rulemaking Docket opening and (2) a Notice of Proposed Rulemaking for publication in the *Arizona Administrative Register* that included the proposed rule language along with a preliminary Economic, Small Business and Consumer Impact Statement with respect to the proposed rules. The Proposed Rulemaking package was filed with the Office of the Secretary of State on February 12, 2016 and the Notice of Proposed Rulemaking was published in the *Arizona Administrative Register* on March 4, 2016.

The proposed rule language amends Arizona Administrative Code R14-2-802(A) to read as follows:

### **R14-2-802. Applicability**

**A.** These rules are applicable to all Class A investor-owned utilities under the jurisdiction of the Commission and are applicable to all transactions entered into after the effective date of these rules. Notwithstanding the preceding sentence, these rules shall not apply to a telecommunications utility whose retail telecommunications services have been classified as competitive pursuant to A.A.C. R14-2-1101 et seq., except as may otherwise be determined by a future Commission order.

Decision No. 75448 also requested that interested parties provide comments concerning the Notice of Proposed Rulemaking by filing written comments with the Commission's Docket Control by April 4, 2016.

Finally, Decision No. 75448 directed the Utilities Division to file with the Commission's Docket Control on or before April 11, 2016, a document including (1) a summary of any written comments filed by interested persons between the effective date of that Decision (February 11, 2016) and April 4, 2016, and the (2) the Utilities Division's responses to those comments.

## **SUMMARY OF WRITTEN COMMENTS FILED AFTER FEBRUARY 11, 2016 REGARDING THE PROPOSED RULES AND STAFF'S RESPONSE TO THEM**

One party, Qwest Corporation d/b/a CenturyLink QC, CenturyLink Communications, L.L.C., and CenturyLink Public Communications, Inc. (collectively "CenturyLink") filed comments dated April 4, 2016. The language of these comments are nearly identical to the Informal Comments dated December 10, 2015, filed by CenturyLink in this docket. CenturyLink does not oppose the proposed Rule change. CenturyLink again states that the telecommunications market has changed dramatically and competitive telecom providers cannot make up for any bad business diversification decisions by passing the losses through to utility customers in the form of rate increases. CenturyLink further states the proposed amended Rule language follows the Arizona

legislative example and logic that exempts competitive telecom providers from the requirement to secure Commission approval of the disposition of assets by public service corporations and the acquisition of the stock of public service corporations. Finally, CenturyLink states that the widespread granting of waivers by the Commission from the current Rules show that the Rules are over-broad, lead to disparate levels of relief and a waste of Commission and Staff resources.

In response to CenturyLink's comments, Staff agrees that the proposed rule change will eliminate the need for the Commission to process and grant certain waivers in the future. This will conserve Commission resources and the resources of affected parties. Staff would also note that the proposed rule language would allow the Commission to, by future order, require filings when it deems necessary. Staff supports the proposed Rule language and recommends the Commission adopt the amendment.