



0000171375

BEFORE THE ARIZONA CORPORATION COMMISSION  
Arizona Corporation Commission

COMMISSIONERS

DOCKETED

JUN 27 2016

DOUG LITTLE – Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN

DOCKETED BY *KG*

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

DECISION NO. 75611

ORDER

Open Meeting  
June 14 and 15, 2016  
Phoenix, Arizona

**BY THE COMMISSION:**

This matter concerns a rulemaking to modify Arizona Administrative Code (“A.A.C.”) R14-2-802, within A.A.C. Title 14, Chapter 2, Article 8, the Arizona Corporation Commission’s (“Commission’s”) Public Utility Holding Companies and Affiliated Interests Rules (“Affiliated Interests Rules”), to eliminate from applicability of the Affiliated Interests Rules any telecommunications utility whose retail telecommunications services have been classified as competitive pursuant to A.A.C. Title 14, Chapter 2, Article 11, the Commission’s Competitive Telecommunications Services Rules (“Competitive Telecom Rules”). The Affiliated Interests Rules currently apply to any Class A investor-owned utility.

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

Procedural History

1. On July 2, 2015, the Commission’s Utilities Division (“Staff”) filed a Memorandum requesting that a generic docket be opened with the caption shown above. As a result, this docket was opened.

1           2.     On August 18, 2015, Cox Communications (“Cox”), Qwest Corporation dba  
2 CenturyLink QC (“CenturyLink”), tw telecom of arizona llc (“tw”), and AT&T Inc. (“AT&T”)  
3 (collectively “Applicants”) filed an Application for Rulemaking to Amend A.A.C. R14-2-802(A)  
4 (“Application for Rulemaking”), requesting that the Commission open a separate rulemaking docket  
5 to amend A.A.C. R14-2-802 to exclude from applicability of the Affiliated Interests Rules each  
6 “telecommunications utility whose retail telecommunications services have been classified as  
7 competitive by the Commission pursuant to A.A.C. R14-2-1101 et seq., except as may otherwise be  
8 determined by a future Commission order.”

9           3.     On November 16, 2015, Staff filed a Memorandum requesting that affected  
10 telecommunications utilities and interested parties file informal written comments regarding the rule  
11 amendment proposed in the Application for Rulemaking by December 16, 2015. Staff stated that it  
12 would consider all comments filed before preparing a Notice of Proposed Rulemaking (“NPRM”) for  
13 the Commission’s consideration at the Open Meeting of February 2016. Staff also included  
14 information for persons interested in being added to the service list for this matter. The Memorandum  
15 was sent to 179 telecommunications utilities and associated attorneys.

16           4.     On November 19, 2015, AT&T and attorneys at Fennemore Craig, P.C. filed documents  
17 related to service by email.

18           5.     On November 24, 2015, a Procedural Order was issued approving service by email for  
19 AT&T and setting forth and directing other interested persons to follow the Hearing Division’s process  
20 for obtaining approval of service by email.

21           6.     On December 2, 2015, Freeport Minerals Corporation and Arizonans for Electric  
22 Choice and Competition filed a Notice of Request to Be Added to Service List along with a Consent  
23 to Email Service. Approval of service by email was granted by a Procedural Order issued on December  
24 4, 2015.

25           7.     On December 10, 2015, CenturyLink filed Informal Comments along with a Consent to  
26 Email Service on Behalf of Itself and Affiliated Entities. CenturyLink’s comments “fully endorse[d]”  
27 the Applicants’ proposed amendment to R14-2-802. Approval of service by email was granted by a  
28 Procedural Order issued on December 11, 2015.

1           8.       On December 14, 2015, Arizona Public Service Company (“APS”) filed Comments,  
2 stating that APS had no objection to the Applicants’ proposed amendment to R14-2-802, but would  
3 oppose any other amendments to the Affiliated Interests Rules that would increase regulation of electric  
4 utility affiliates or affect any of the waivers the Commission granted to APS and Pinnacle West Capital  
5 Corporation in Decision No. 61973 (October 6, 1999).

6           9.       On December 16, 2015, the Arizona Local Exchange Carriers Association (“ALECA”)<sup>1</sup>  
7 filed Comments, supporting the Applicants’ proposed amendment.

8           10.      On December 16, 2015, AT&T filed Comments in Support of Amendment to A.A.C.  
9 R14-2-802(A).

10          11.      On December 16, 2015, Windstream Corp., filed comments on behalf of itself and its  
11 Arizona-certificated subsidiaries (Windstream Communications, Inc.; Talk America, Inc. (“Talk  
12 America”); McLeodUSA Telecommunications Services, LLC (“McLeodUSA”); and Paetec  
13 Communications, Inc. (“Paetec”)), stating that they support the Applicants’ proposed amendment.

14          12.      On December 16, 2015, a Notice of Interest and Consent to Email Service was filed on  
15 behalf of XO Communications Services, LLC (“XO”) and Windstream Services, LLC (“Windstream  
16 Services”). Approval of email service was granted by a Procedural Order issued on December 17,  
17 2015.

18          13.      On December 16, 2015, Eschelon Telecom of Arizona, Inc.; Electric Lightwave, LLC;  
19 and Mountain Telecommunications of Arizona, Inc., all dba Integra Telecom (“Integra”) filed  
20 Comments in support of the Applicants’ proposed amendment. Integra noted that all three of its legal  
21 entities have been granted limited waivers of the Affiliated Interests Rules.

22          14.      On January 20, 2016, Staff filed an Open Meeting Memorandum including a proposed  
23 Order recommending the commencement of formal rulemaking to amend the Affiliated Interests Rules  
24 as proposed by the Applicants. The proposed Order also included recommended procedural

25 \_\_\_\_\_  
26 <sup>1</sup> ALECA identified the following as its members: Fort Mojave Telephone Company; Frontier Communications  
27 Corporation; Gila River Telecommunications, Inc.; Hopi Telecommunications, Inc.; Midvale Telephone Exchange, Inc.;  
28 San Carlos Apache Telecommunications Utility, Inc.; South Central Communications; Table Top Telephone Company,  
Inc.; TDS (Arizona Telephone Company and Southwest Telephone Company); Tohono O’odham Utility Authority; Valley  
Telephone Cooperative (Copper Valley Telephone, Inc. and Valley Telephone Cooperative, Inc.); and Zona  
Communications. ALECA stated that none of its members are Class A investor-owned utilities subject to the Affiliated  
Interest Rules and that several of its listed members are tribally owned and not subject to the Commission’s jurisdiction.

1 requirements and dates.

2 15. On January 21, 2016, Staff filed a Revised Open Meeting Memorandum, providing an  
3 additional attachment to the Memorandum setting forth the text of the Affiliated Interests Rules with  
4 the Applicants' proposed amendment included.

5 16. On February 11, 2016, Decision No. 75448 was issued, directing Staff and the Legal  
6 Division ("Legal") to prepare and file with the Office of the Secretary of State, by February 12, 2016,  
7 for publication in the *Arizona Administrative Register* no later than March 4, 2016, a Notice of  
8 Rulemaking Docket Opening ("NRDO") and a NPRM including the text of the Affiliated Interests  
9 Rules as included in the attachment to the Revised Open Meeting Memorandum. The Decision also  
10 required that the Hearing Division hold an oral proceeding for the NPRM on April 14, 2016; established  
11 dates for the submission of comments; and established other procedural deadlines and requirements.

12 17. On March 7, 2016, Red Rock Telecommunications, LLC ("Red Rock") filed a Notice  
13 of Interest, Notice of Change of Address, and Consent to Service by Email. Approval of email service  
14 was granted by a Procedural Order issued on March 11, 2016.

15 18. On March 8, 2016, Legal filed a copy of the NRDO and NPRM published in the Arizona  
16 Administrative Register on March 4, 2016. A copy of the NPRM is attached hereto and incorporated  
17 herein as Exhibit 1.

18 19. On March 28, 2016, Tele-Data Solutions filed a letter requesting removal from the  
19 service list for this matter and suggesting that service should instead be provided to Teledata Solutions  
20 Inc. The service list was adjusted accordingly.

21 20. On April 4, 2016, CenturyLink filed Comments supporting the NPRM.

22 21. No other interested person filed written comments regarding the NPRM.

23 22. On April 11, 2016, Staff filed a Staff Report including a summary of the written  
24 comments filed by interested persons between the effective date of Decision No. 75448 (February 11,  
25 2016) and April 4, 2016.

26 23. On April 14, 2016, the oral proceeding for this matter was held before a duly authorized  
27 Administrative Law Judge of the Commission at the Commission's offices in Phoenix, Arizona. Staff  
28 appeared through counsel, provided a brief statement regarding the rulemaking, and provided responses

1 to several questions posed by the Administrative Law Judge. Comments supporting the NPRM were  
 2 provided on behalf of XO, Talk America, McLeodUSA, Paetec, and Windstream Services  
 3 (collectively); Cox; AT&T; and CenturyLink. No comments were provided opposing the NPRM.

4 24. On April 25, 2016, Staff filed written responses to questions posed by the  
 5 Administrative Law Judge.

6 25. On April 27, 2016, Staff filed an Economic, Small Business, and Consumer Impact  
 7 Statement ("EIS") concerning the NPRM.

8 26. On May 6, 2016, Staff filed a Staff Report providing a summary of all written comments  
 9 filed by interested persons and all oral comments provided at the oral proceeding, along with Staff's  
 10 responses thereto.

#### 11 **Description of the Rule Change**

12 27. As included in the NPRM, the rule change adds the following sentence at the end of  
 13 R14-2-802(A), concerning applicability of the Affiliated Interests Rules: "Notwithstanding the  
 14 preceding sentence, these rules shall not apply to a telecommunications utility whose retail  
 15 telecommunications services have been classified as competitive pursuant to A.A.C. R14-2-1101 et  
 16 seq., except as may otherwise be determined by a future Commission order."

17 28. The following telecommunications utilities are Class A (having intrastate revenues  
 18 greater than \$10 million) investor-owned utilities with competitive retail telecommunications services  
 19 and thus should be exempted under the proposed rule revision:

Company Number	Company Name
T-20872A	AT&T Corp.
T-02811B	CenturyLink Communications, LLC
T-04293A	Comcast Phone of Arizona, LLC
T-03471A	Cox Arizona Telcom, L.L.C.
T-03406A	Eschelon Telecom of Arizona, Inc.
T-03394A	MCI Communications Services, Inc.
T-01051B	Qwest Corporation
T-03479A	Securus Technologies, Inc.
T-03943A	tw telecom of arizona llc
T-04302A	XO Communications Services, LLC

1           29.     Waivers of portions of the Affiliated Interests Rules have been granted to 7 of the 10  
2 telecommunications utilities identified in Findings of Fact No. 28.

3 **Rationale for the Rulemaking**

4           30.     In the Application for Rulemaking, the Applicants asserted that because the Arizona  
5 Legislature revised A.R.S. § 40-285 in 2013 to exclude competitive telecommunications corporation  
6 transactions from Commission oversight, the Commission likewise should revise A.A.C. R14-2-802 to  
7 exclude competitive telecommunications utilities from application of the Affiliated Interests Rules.  
8 The Applicants further asserted that the Commission had already granted forward-looking waivers of  
9 A.A.C. R14-2-803 to several of the Applicants, but with some inconsistency in the requirements  
10 associated with the waivers and in interpretation of the waivers over the years. The Applicants asserted  
11 that the notice and waiver requests associated with the Affiliated Interests Rules use utility and  
12 Commission resources, delay multistate transactions, and present barriers to efficient business  
13 operations.

14           31.     In its comments filed prior to and in response to the NPRM, CenturyLink asserted the  
15 following in support of the rule revision proposed in this matter:

16                   (a)     The Affiliated Interests Rules were adopted by the Commission six years before  
17 Congress adopted the Telecommunications Act of 1996, which opened local telecommunications  
18 services to competition;

19                   (b)     According to the decision in which they were adopted (Decision No. 56844  
20 (March 14, 1990)), the Commission's purpose in adopting the Affiliated Interests Rules was to protect  
21 ratepayers from paying rates that included costs associated with holding company structure, financially  
22 struggling affiliates, or sweetheart deals with affiliates intended to extract capital from the utility to  
23 subsidize non-utility operations;

24                   (c)     As a result of the Telecommunications Act of 1996, the telecommunications  
25 industry in Arizona and the rest of the nation has grown and become more fully competitive, providing  
26 customers with numerous options for service, including service from non-regulated providers;

27                   (d)     The existence of competition has made it impossible for utilities to pass through  
28 to utility customers, through rate increases, the losses from bad business diversification decisions, and

1 without the ability to pass through such costs, utilities “have no incentive to engage in cross-  
2 subsidization or other activities that financially weaken the utility operation”;

3 (e) In 2013, in recognition of the competitive telecommunications market as a  
4 substitute for Commission regulation, the Arizona Legislature amended A.R.S. § 40-285 to exempt  
5 competitive telecommunications providers from the requirement to obtain Commission approval to  
6 dispose of assets or acquire the stock of other public service corporations, and the rule revision is  
7 consistent with the amendment to A.R.S. § 40-285;

8 (f) The Commission has granted numerous limited waivers to telecommunications  
9 utilities, which suggests that the Affiliated Interests Rules are overly broad;

10 (g) Because separate utilities have filed for waivers from portions of the Affiliated  
11 Interests Rules, and the Commission has not granted any utility complete exemption,  
12 telecommunications utilities are now subjected to disparate levels of relief from the Affiliated Interests  
13 Rules; and

14 (h) Telecommunications utilities, Staff, and the Commission are spending  
15 “inordinate amounts of time and energy on waivers for matters . . . better addressed by a total exemption  
16 from the [Affiliated Interests Rules] for competitive providers.”

17 32. Staff did not dispute any of the assertions made by CenturyLink or the other  
18 telecommunications utilities that provided comment on the rule revision. Staff agreed that the rule  
19 revision will provide benefits to both the telecommunications utilities currently subject to the Affiliated  
20 Interests Rules and to the Commission and Staff, because the rule revision will eliminate reports that  
21 must be prepared and filed by utilities and reviewed by Staff and will eliminate applications (including  
22 applications for waiver) that are currently prepared and filed by utilities and that must be reviewed by  
23 Staff and acted upon by the Commission. In recommending final adoption of the rule revision, Staff  
24 pointed out that the rule revision provides the Commission the ability, by future order, to require filings  
25 and review transactions if deemed necessary.

26 33. Staff believes that the utilities that would be impacted by the rule revision are all  
27 financially stable, is unaware of any information that would indicate any of the utilities have a history  
28 of engaging in financial transactions with affiliates to the harm of customers or engaging in

1 organizational changes involving affiliates to the harm of customers, and is unaware of any detriment  
 2 to the utilities' customers that would arise from adoption of the rule revision.

3 **Authority for the Rulemaking**

4 34. In the NPRM, Staff cited the following constitutional and statutory authority for the rule  
 5 revision: Arizona Constitution, Article 15, § 3 ("Article 15, § 3"), and A.R.S. §§ 40-202, 40-203, and  
 6 40-321.

7 35. In *Arizona Corporation Commission v. State ex rel. Woods*, 171 Ariz. 286, 830 P.2d  
 8 807 (1992), the Arizona Supreme Court determined that the Commission had the power to adopt the  
 9 Affiliated Interests Rules under its exclusive and plenary constitutional ratemaking authority granted  
 10 by Article 15, § 3, as the Affiliated Interests Rules were reasonably necessary for ratemaking. As they  
 11 amend the Affiliated Interests Rules, the rule revisions proposed likewise are authorized under Article  
 12 15, § 3.

13 **Administrative Procedure Act Requirements**

14 36. The Commission is an "agency" under the Administrative Procedure Act ("APA"),  
 15 A.R.S. Title 41, Chapter 6 (A.R.S. §§ 41-1001 through 41-1092.12), and is generally subject to APA  
 16 requirements.

17 37. Under A.R.S. § 41-1057, the Commission is exempted from Article 5 of the APA  
 18 (A.R.S. §§ 41-1051 through 41-1057), pertaining to the Governor's Regulatory Review Council  
 19 ("GRRC"), but is required to adopt substantially similar rule review procedures, to include preparation  
 20 of an EIS and a statement of the effect of the rule on small business.

21 38. A.R.S. § 41-1044 requires the Attorney General ("AG") to review rules that are exempt  
 22 under A.R.S. § 41-1057 and further requires that such rules not be submitted to the Office of the  
 23 Secretary of State unless first approved by the AG. This requirement does not apply when the  
 24 Commission is conducting rulemaking pursuant to its exclusive and plenary ratemaking authority under  
 25 Art. 15, § 3. (*State ex rel. Corbin v. Arizona Corporation Commission*, 174 Ariz. 216, 848 P.2d 301  
 26 (Ariz. Ct. App. 1992).)

27 ...

28 ...

1           39.     A.R.S. § 40-1030(A) provides that “[a] rule is invalid unless it is made and approved in  
2 substantial compliance with sections 41-1021 through 41-1029 and articles 4, 4.1 and 5 of this chapter,  
3 unless otherwise provided by law.”

4           40.     A.R.S. § 41-1022(E) provides that if, as a result of public comment or internal review,  
5 an agency determines that a proposed rule requires substantial change pursuant to A.R.S. § 41-1025,  
6 the agency shall issue a supplemental notice containing the changes in the proposed rule and shall  
7 provide for additional public comment pursuant to A.R.S. § 41-1023.

8           41.     A.R.S. § 41-1024 requires an agency to take one of the following actions on a  
9 rulemaking within 120 days after the close of record on the proposed rulemaking: (1) submit the rule  
10 to GRRC or the AG for approval, or (2) terminate the rulemaking by publishing a notice in the *Arizona*  
11 *Administrative Register*.<sup>2</sup>

12           42.     The Commission continues to allow for and to consider public comments on an NPRM  
13 during any Open Meeting at which the Commission discusses and votes upon how to proceed regarding  
14 the NPRM (i.e., whether to adopt the revisions in an NPRM through a Notice of Final Rulemaking  
15 (“NFRM”) to issue a Notice of Supplemental Proposed Rulemaking (“NSPRM”), or to terminate  
16 rulemaking). Thus, the Commission closes the record on an NPRM, as contemplated by A.R.S. § 41-  
17 1024, only after conclusion of the last Open Meeting at which the Commission discusses and votes  
18 upon how to proceed regarding the NPRM.

19           43.     Since fiscal year 2009-2010, Arizona has had in place a general rulemaking moratorium,  
20 first through creation of the Legislature and then through gubernatorial orders. The most recent  
21 gubernatorial order is Executive Order 2016-03 (“EO 2016-03”), which became effective on February  
22 8, 2016, and expires on December 31, 2016. EO 2016-03 generally prohibits a state agency from  
23 conducting rulemaking except for specific purposes and with prior written approval from the Office of  
24 the Governor. However, EO 2016-03 expressly exempts the Commission from its restrictions, while  
25 strongly encouraging voluntary compliance.

26  
27  
28 <sup>2</sup> This statutory provision does not take into account the Commission’s constitutional authority to adopt rules that are reasonably necessary for ratemaking without submitting the rules to the AG for approval under A.R.S. § 41-1044.

1           44.     Although Commission rulemakings are not restricted by EO 2016-03, if they were, this  
2 rulemaking would meet the parameters of EO 2016-03 because the rule revision would “reduce or  
3 ameliorate a regulatory burden while achieving the same regulatory objective.” (EO 2016-03, § 2(b).)

4           45.     A.R.S. § 41-1032(A) provides that a final rule filed with the Office of the Secretary of  
5 State under A.R.S. § 41-1031 becomes effective 60 days after filing unless the rulemaking agency  
6 includes in the Preamble information demonstrating that the rule needs to be effective immediately  
7 upon filing, for one of five reasons, among them: (1) “[t]o provide a benefit to the public and a penalty  
8 is not associated with a violation of the rule” and (2) “[t]o adopt a rule that is less stringent than the  
9 rule that is currently in effect and that does not have an impact on the public health, safety, welfare or  
10 environment, or that does not affect the public involvement and public participation process.”

11           46.     The rule revision included in the NPRM will benefit the telecommunications utilities  
12 currently subject to the Affiliated Interests Rules as well as the Commission and Staff; will not penalize  
13 anyone; is less stringent than the rule that is currently in effect; will not have an adverse impact on  
14 public health, safety, welfare, or the environment; and does not affect the public involvement and public  
15 participation process. Thus, to ensure that the benefits to be created by the rule revision are realized as  
16 soon as possible, it is just and reasonable and in the public interest for the Commission to adopt the  
17 rule revision with an immediate effective date.

#### 18 **Public Comments & Responses**

19           47.     Summaries of the formal comments received and of Staff’s responses thereto, along  
20 with the Commission’s responses, are attached hereto and incorporated herein as Exhibit 2. All of the  
21 formal (and informal) comments received regarding the rule revision were supportive of the rule  
22 revision.

#### 23 **Modifications to the NPRM Rule Language**

24           48.     The clarity, conciseness, and understandability of the rule would be enhanced if the new  
25 language were moved to a new subsection (B); the introductory language “Notwithstanding the  
26 preceding sentence” were replaced with “Notwithstanding subsection (A)”; the existing subsection (B)  
27 were moved and relabeled as subsection (C); and the citation “A.A.C. R14-2-1101 et seq.” were  
28 replaced with “A.A.C. Title 14, Chapter 2, Article 11” to conform to Secretary of State rulemaking

1 style requirements. R14-2-802 would then appear as follows:

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

3 A. These rules are applicable to all Class A investor-owned utilities under the jurisdiction  
4 of the Commission and are applicable to all transactions entered into after the effective  
5 date of these rules.

6 B. Notwithstanding subsection (A), these rules shall not apply to a telecommunications  
7 utility whose retail telecommunications services have been classified as competitive  
8 pursuant to A.A.C. Title 14, Chapter 2, Article 11, except as may otherwise be  
9 determined by a future Commission order.

10 ~~B. C.~~ No change

11 49. The modifications to the proposed rule described in Findings of Fact No. 48 would not  
12 result in a rule that is substantially different, under A.R.S. § 41-1025, than the proposed rule as  
13 published in the NPRM.

14 **Probable Economic Impacts**

15 50. The substantive portion of Staff's EIS is attached hereto and incorporated herein as  
16 Exhibit 3. The Commission finds that the EIS attached hereto and incorporated herein as Exhibit 3,  
17 should be adopted, with the following modifications:

18 (a) In subsection (B)(1), the reference to "R14-2-802(A)" should be changed to  
19 "R14-2-802";

20 (b) In subsection (B)(2), after (B)(2)(c), the language of Findings of Fact No. 28  
21 should be added; and

22 (c) In subsection (B)(7), before the current text, the following statement should be  
23 added: "The rulemaking alleviates regulatory burdens and creates no additional regulatory burdens."

24 **Resolution**

25 51. The rule revision will alleviate regulatory burdens upon Class A investor-owned  
26 telecommunications utilities with competitive retail services, upon Staff, and upon the Commission,  
27 without causing any adverse impacts upon any persons or to the public interest. The Commission finds  
28

1 that the rule revision proposed in the NPRM, as modified by Findings of Fact No. 48, is just, reasonable,  
2 and in the public interest and that A.A.C. R14-2-802 should be adopted as so revised.

3 52. Staff/Legal should be directed to prepare and file with the Office of the Secretary of  
4 State an NFRM package complying with the requirements of A.R.S. § 41-1001(16)(d) and the Rules  
5 of the Office of the Secretary of State;<sup>3</sup> including A.A.C. R14-2-802 as proposed in the NPRM and  
6 modified by Findings of Fact No. 48; including, as a separate document, the EIS as modified in  
7 Findings of Fact No. 50; and stating in the Preamble that the rules are to become effective immediately  
8 upon filing with the Office of the Secretary of State under A.R.S. § 41-1032(4) and (5) for the reasons  
9 set forth in Findings of Fact No. 46.

### 10 CONCLUSIONS OF LAW

11 1. Pursuant to Arizona Constitution, Art. 15, § 3, the Commission has the authority and  
12 jurisdiction to revise A.A.C. R14-2-802 as included in the NPRM and adopted herein.

13 2. The Commission is not required to submit this rulemaking to the AG for certification  
14 under A.R.S. § 41-1044.

15 3. Notice of the oral proceeding regarding the NPRM was provided in the manner  
16 prescribed by law.

17 4. The Commission has not yet closed the record for this rulemaking, as contemplated by  
18 A.R.S. § 41-1024.

19 5. The revisions to A.A.C. R14-2-802, as proposed in the NPRM and modified in Findings  
20 of Fact No. 48, are clear, concise, and understandable; within the Commission's powers to make; within  
21 enacted legislative standards; and made in compliance with appropriate procedures.

22 6. Adoption of the revisions to A.A.C. R14-2-802, as proposed in the NPRM and modified  
23 in Findings of Fact No. 48, is just and reasonable and in the public interest.

24 7. The EIS attached hereto as Exhibit 3, with the modifications set forth in Findings of  
25 Fact No. 50, substantially conforms to the requirements of A.R.S. §§ 41-1057 and 41-1055.

26 8. The Preamble for the NFRM for this matter should include, to fulfill the requirements  
27

28 <sup>3</sup> See, e.g., A.A.C. R1-1-105, R1-1-601, and R1-1-602.

1 of A.R.S. § 41-1001(16)(d)(iii), the comments and responses set forth in Exhibit 2 hereto.

2 9. The revisions to A.A.C. R14-2-802(A) are eligible to become effective immediately  
3 upon filing with the Office of the Secretary of State under A.R.S. § 41-1032(4) and (5) for the reasons  
4 set forth in Findings of Fact No. 46.

5 **ORDER**

6 IT IS THEREFORE ORDERED that the Commission hereby adopts the text of A.A.C. R14-2-  
7 802 as proposed in the NPRM and modified in Findings of Fact No. 48.

8 IT IS FURTHER ORDERED that the Commission hereby adopts the Economic Impact  
9 Statement attached hereto as Exhibit 3, with the modifications set forth in Findings of Fact No. 50.

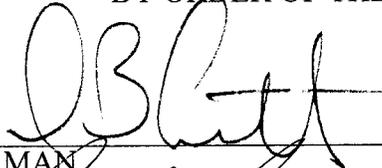
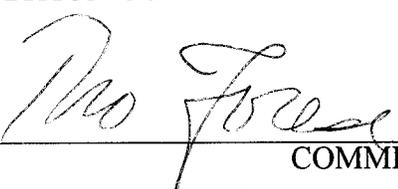
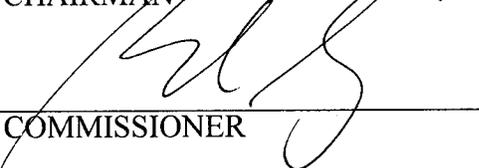
10 IT IS FURTHER ORDERED that the Commission’s Utilities Division/Legal Division shall  
11 prepare and file with the Office of the Secretary of State, for publication in the *Arizona Administrative*  
12 *Register*, a Notice of Final Rulemaking package that includes (1) A Notice of Final Rulemaking that  
13 sets forth the text of A.A.C. R14-2-802 as adopted herein and includes a Preamble that (a) conforms to  
14 A.R.S. § 41-1001(16)(d) and (b) states that the revisions to A.A.C. R14-2-802 are to become effective  
15 immediately upon filing with the Office of the Secretary of State under A.R.S. § 41-1032(4) and (5)  
16 for the reasons set forth in Findings of Fact No. 46 ; (2) the Economic Impact Statement adopted herein;  
17 and (3) any additional documents required for publication and codification by the Office of the  
18 Secretary of State.

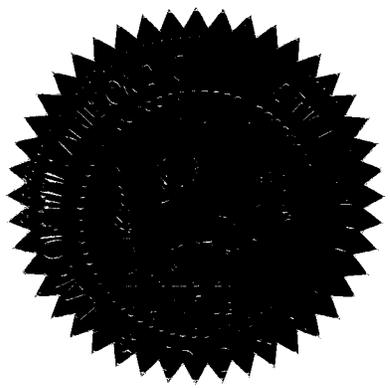
19 ...  
20 ...  
21 ...  
22 ...  
23 ...  
24 ...  
25 ...  
26 ...  
27 ...  
28 ...

1 IT IS FURTHER ORDERED that the Commission's Utilities Division/Legal Division is  
2 authorized to make non-substantive changes in the text of A.A.C. R14-2-802 as adopted herein; the  
3 Economic Impact Statement adopted herein; and any of the additional documents required by the Office  
4 of the Secretary of State, in response to comments received from the Office of the Secretary of State  
5 during the publication and/or codification process, unless the Commission requires otherwise after  
6 notification of those changes.

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

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

	
CHAIRMAN	COMMISSIONER
	COMM. TOBIN RECUSED
COMMISSIONER	COMMISSIONER
	
	COMMISSIONER



15 IN WITNESS WHEREOF, I, JODI JERICH, Executive Director  
16 of the Arizona Corporation Commission, have hereunto set my  
17 hand and caused the official seal of the Commission to be affixed  
18 at the Capitol, in the City of Phoenix, this June day  
19 of 27<sup>th</sup> 2016.

20   
21 JODI JERICH  
22 EXECUTIVE DIRECTOR

23 DISSENT \_\_\_\_\_

24 DISSENT \_\_\_\_\_  
25 SH:rt

1 SERVICE LIST 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.

2  
3  
4 DOCKET NO.:

AU-00000A-15-0246

5 Ms. Jennifer Cranston  
GALLAGHER & KENNEDY P.A.  
2575 E. Camelback Road  
Phoenix, AZ 85016-9225  
6 Attorneys for AT&T, Inc.  
[Jennifer.cranston@gknet.com](mailto:Jennifer.cranston@gknet.com)

7 **Consented to Service by Email**

8 Mr. C. Webb Crockett  
Mr. Patrick J. Black  
FENNEMORE CRAIG, P.C.  
2394 East Camelback Road, Suite 600  
Phoenix, AZ 85016  
9 Attorneys for Freeport Minerals Corporation and Arizonans for  
Electric Choice and Competition  
[wrocket@fclaw.com](mailto:wrocket@fclaw.com)  
[pblack@fclaw.com](mailto:pblack@fclaw.com)

10  
11 **Consented to Service by Email**

12 Mr. Stan Barnes  
Copper State Consulting Group  
3033 N. Central Avenue, Suite 900  
13 Phoenix, AZ 85012  
[stan@copperstate.net](mailto:stan@copperstate.net)

14 **Consented to Service by Email**

15 Mr. Reed Peterson, State Regulatory Affairs Director  
Mr. Norman G. Curtright, Associate General Counsel  
Qwest Corporation dba CenturyLink QC;  
16 CenturyLink Communications, LLC; &  
CenturyLink Public Communications, Inc.  
20 East Thomas Road, 1st Floor  
Phoenix, Arizona 85012  
[Reed.Peterson@centurylink.com](mailto:Reed.Peterson@centurylink.com)  
[Norm.Curtright@centurylink.com](mailto:Norm.Curtright@centurylink.com)

17  
18 **Consented to Service by Email**

19 Ms. Joan S. Burke  
Law Office of Joan S. Burke, P.C.  
1650 N. 1st Avenue  
20 Phoenix, AZ 85003  
Attorney for XO Communications Services, LLC and  
Windstream Services, LLC  
[joan@jsturkelaw.com](mailto:joan@jsturkelaw.com)

21 **Consented to Service by Email**

22 Mr. Scott S. Wakefield, Esq.  
Ridenour Hinton, P.L.L.C.  
23 Chase Tower  
201 North Central Avenue, Suite 3300  
24 Phoenix, Arizona 85004

25 Mr. Michael W. Patten  
Snell & Wilmer L.L.P.  
One Arizona Center  
400 East Van Buren  
26 Phoenix, AZ 85004-2202

27 Mr. Greg Patterson  
Munger Chadwick  
2398 E Camelback Rd  
28 Phoenix, Arizona 85016

Mr. Timothy J. Sabo  
Snell & Wilmer L.L.P.  
One Arizona Center  
400 East Van Buren Street  
19th Floor  
Phoenix, Arizona 85004

Mr. Jeff Crockett  
Crockett Law Group  
2198 E. Camelback Road, Suite 305  
Phoenix, AZ 85016  
Attorneys for Red Rock Telecommunications, LLC  
[jeff@jeffcrockettlaw.com](mailto:jeff@jeffcrockettlaw.com)  
[shane@redrocktelcom.com](mailto:shane@redrocktelcom.com)

**Consented to Service by Email**

Mr. Daniel Pozefsky  
Residential Utility Consumer Office  
1110 W Washington Street  
Phoenix, Arizona 85007

Mr. William P. Sullivan  
Law Offices of William P. Sullivan, PLLC  
501 East Thomas Road  
Phoenix, Arizona 85012

Mr. Jason D. Gellman  
Snell & Wilmer L.L.P.  
One Arizona Center  
400 East Van Buren  
Phoenix, AZ 85004-2202

Mr. Timothy Hogan  
The Arizona Center for Law in the Public  
Interest  
514 West Roosevelt Street  
Phoenix, AZ 85003

Mr. Michael Curtis  
Curtis, Goodwin, Sullivan,  
Udall & Schwab, P.L.C.  
501 East Thomas Road  
Phoenix, Arizona 85012

Ms. Maritza Morales  
1 800 Collect, Inc.  
1685 Gables Boulevard, Suite B  
San Diego, California 92154

Mr. Robert Cleary  
800 Response Information Services, LLC  
1795 Williston Road, Suite 200  
South Burlington, Vermont 05403

Ms. Jennifer Cabania  
ABS-CBN Telecom North America,  
Incorporated  
150 Shoreline Drive  
Redwood City, California 94065

1 Mr. Kevin Fennell  
Access One, Inc.  
820 West Jackson Street, Suite 650  
2 Chicago, Illinois 60607

3 Mr. Eric Blackford  
Nationwide Regulatory Compliance  
c/o Alliance Global Networks, LLC;  
4 Alliance Group Services, Inc.; American  
Telecommunications Systems, Inc.; BCN  
Telecom, Inc.; DCT Telecom Group, Inc.;  
5 Inmark, Inc.; KDDI America, Inc.; Long  
Distance Access, Inc.; Long Distance  
6 Consolidated Billing Co.  
107 West Michigan Avenue, 4th Floor  
Kalamazoo, Michigan 49007

7 Ms. Abigail Tucker  
Access Point, Inc.  
8 1100 Crescent Green, Suite 109  
Cary, North Carolina 27518

9 Mr. Philip Koen  
AccessLine Communications Corporation  
10 3310 146th Place, S.E.  
Bellevue, Washington 98007

11 Ms. Jennifer Vellucci  
Accipiter Communications, Inc.  
12 2238 West Lone Cactus Drive, Suite 100  
Phoenix, Arizona 85027

13 Mr. Jeff Myers  
ACN Communication Services, Inc.  
1000 Progress Place  
14 Concord, North Carolina 28025-2449

15 Ms. Jennifer DePinto  
Advantage Telecommunications Corp.;  
Reduced Rate Long Distance, LLC; Reliant  
16 Communications, Inc.  
3001 Aloma Avenue, Suite 304  
17 Winter Park, Florida 32792

18 Ms. Cynthia Firstman  
Airespring, Inc.  
6060 Sepulveda Boulevard, Suite 220  
19 Van Nuys, California 91411

20 Mr. Arnold Marasigan  
Airnex Communications, Inc.  
5000 Hopyard, Suite 240  
21 Pleasanton, California 94577

22 Ms. Julie Musselman Oost  
Airus, Inc.; Peerless Network of Arizona,  
LLC  
840 South Canal Street, 7th Floor  
23 Chicago, Illinois 60607

24 Mr. Faisal Aziz  
America Net, LLC  
3850 Wilshire Boulevard, 17th Floor  
25 Los Angeles, California 90010

26 Mr. Paolo Giuressi  
American Phone Services, Corp.  
308 Maxwell Road, Suite 100  
27 Alpharetta, Georgia 30009

Mr. Alex Valencia  
Americatel Corporation  
433 East Las Colinas Boulevard, Suite 500  
Irving, Texas 75039

Ms. Tammy Ferber  
AmeriVision Communications, Inc.  
999 Waterside Drive, Suite 1910  
Norfolk, Virginia 23510

Ms. Judith A. Riley  
c/o ANPI Business, LLC; CVC CLEC,  
LLC; Mosiac Networx, LLC; NovaTel Ltd.,  
Inc.; Operator Service Company, LLC;  
Telecom North America, Inc.; Threshold  
Communications, Inc.; WDT World  
Discount Telecommunications, Inc.  
PO Box 720128  
Oklahoma City, Oklahoma 73172-0128

Mr. Jerry L. Miller  
Arizona Telephone Company; Southwestern  
Telephone Company  
204 North Indiana Street  
PO Box 88  
Roachdale, Indiana 46172-0088

Ms. Sharon Mullin  
AT&T Corp.; SBC Long Distance; Teleport  
Communications America, LLC  
2003 Point Bluff  
Austin, Texas 78746-6236

Mr. Shawn Lanier  
ATC Outdoors DAS, LLC  
10 Presidential Way  
Woburn, Massachusetts 01801

Ms. Lisa Jill Freeman  
Bandwidth.com CLEC, LLC  
900 Main Campus Drive, Suite 500  
Raleigh, North Carolina 27606

Mr. Bill Gabor  
BCE Nexxia Corporation  
138 East Randolph, Suite 500  
Chicago, Illinois 60601

Ms. Sadia Mendez  
BCM One, Inc.  
521 5th Avenue, 14th Floor  
New York, New York 10175

Mr. Thomas P. Margavio  
Bellsouth Long Distance  
675 West Peachtree Street NE  
Atlanta, Georgia 30308

Mr. Joe Londeree  
Betterworld Telecom, LLC  
11951 Freedom Drive, 13th Floor  
Reston, Virginia 20190

Mr. Robert S. Rife  
Broadband Dynamics, LLC  
8757 East Via De Commercio, 1st Floor  
Scottsdale, Arizona 85258

Mr. Jarrod Harper  
Broadview Networks, Inc.  
1018 West 9th Avenue  
King of Prussia, Pennsylvania 19406

1 Mr. Ryan Tackett  
Broadvox-CLEC, LLC; Cypress  
Communications Operating Company, LLC  
2 75 Erieview Plaza, Suite 400  
Cleveland, Ohio 44114

3 Ms. Nancy McCarty  
Broadwing Communications, LLC; Global  
Crossing Local Services, Inc.; Global  
4 Crossing Telecommunications, Inc.; Level 3  
Communications, LLC; tw telecom of  
5 arizona llc; WiTel Communications, LLC  
1025 Eldorado Boulevard  
Broomfield, Colorado 80021

6 Ms. Linda Cicco  
BT Communications Sales, LLC  
7 11440 Commerce Park Drive, Suite 1000  
Reston, Virginia 20191

8 Ms. Lakisha Taylor  
Budget Prepay, Inc.  
9 1325 Barksdale Boulevard, Suite 200  
Bossier City, Louisiana 71111

10 Mr. Ben Coker  
Buehner-Fry, Inc.  
11 389 SW Scalehouse Court, Suite 100  
Bend, Oregon 97702

12 Ms. Joy Hornkohl  
BullsEye Telecom, Inc.  
13 25925 Telegraph Road, Suite 210  
Southfield, Michigan 48033

14 Mr. Craig Konrad  
Business Discount Plan, Inc.  
15 One World Trade Center, Suite 800  
Long Beach, California 90831

16 Mr. Kenny Perkins  
c/o Business Network Long Distance, Inc.;  
17 Communications Network Billing, Inc.;  
Conectado, Inc.; Integrated Services, Inc.;  
18 LCR Telecommunications, LLC; Multiline  
Long Distance, Inc.; National Access Long  
Distance, Inc.; Nationwide Long Distance  
19 Service, Inc.; Network Service Billing, Inc.;  
Norstar Telecommunications, LLC;  
Residential Long Distance, Inc.  
20 3075 Breckinridge Boulevard, Suite 425  
Duluth, Georgia 30096-4981

21 Ms. Rebecca W. West  
c/o Business Telecom, LLC; CTC  
22 Communications Corp.; DeltaCom, Inc.;  
EarthLink Business, LLC  
23 2851 Charlevoix Drive SE, Suite 209  
Grand Rapids, Michigan 49546

24 Ms. Brenda C. Crosby  
Cascade Access, LLC; Rio Virgin  
Telephone Company  
25 303 SW Zobrist  
Estacada, Oregon 97023

26 Mr. Joshua Jobe  
Cbeyond Communications, LLC  
27 2323 Grand Boulevard, Suite 925  
Kansas City, Missouri 64108

Ms. Debbie Baker  
Central Telecom Long Distance, Inc.  
102 South Tejohn Street, 11th Floor  
Colorado Springs, Colorado 80903

Ms. Julie M. Barlow  
Cincinnati Bell Any Distance, Inc.  
221 East Fourth Street, Room 103-1070  
Cincinnati, Ohio 45202

Mr. Mark Montano  
Citynet Arizona, LLC  
170 S. William Dillard Drive, Suite 115  
Gilbert, Arizona 85233

Mr. James Mancuso  
Clear World Communications Corporation  
2901 West MacArthur Boulevard, Suite 204  
Santa Ana, California 92704

Mr. Michael Nelson  
Comcast Phone of Arizona, LLC  
183 Inverness Drive, West  
Englewood, Colorado 80112

Mr. ZhenHui Lin  
ComNet (USA) LLC  
700 South Flower Street, Suite 950  
Los Angeles, California 90017

Mr. Richard Minervino  
ComTech21, LLC  
One Barnes Park South  
Wallingford, Connecticut 06492

Mr. Joe Nicotra  
Consumer Telcom, Inc.  
701 North Green Valley Parkway, Suite 200  
Henderson, Nevada 89074

Mr. Eric Burgess  
Conterra Ultra Broadband, LLC  
2101 Rexford Road, Suite 200 E  
Charlotte, North Carolina 28211

Mr. Troy Judd  
Copper Valley Telephone, Inc.; Valley  
Connections, LLC; Valley Telephone  
Cooperative, Inc.  
752 East Maley  
Willcox, Arizona 85643

Mr. Mark DiNunzio  
Cox Arizona Telcom, LLC  
1550 West Deer Valley Road  
Phoenix, Arizona 85027

Ms. Susan Cockerham  
c/o Crexendo Business Solutions, Inc.; DSIIITL,  
LLC; Global Tel\*Link Corporation;  
Network Enhanced Technologies, Inc.;  
Public Communications Services, Inc.; Q  
Link Wireless, LLC; TouchTone  
Communications, Inc.; Value-Added  
Communications, Inc.; Velocity, The  
Greatest Phone Company Ever, Inc.  
1725 Windward Concourse, Suite 150  
Alpharetta, Georgia 30005

Mr. Rick Ramirez  
Curatel, LLC  
1605 West Olympic Boulevard, 8th Floor  
Los Angeles, California 90015

1 Mr. Robert Millar  
 Crown Castle NG West LLC; NewPath  
 Networks, LLC  
 2000 Corporate Drive  
 2 Canonsburg, Pennsylvania 15317

3 Mr. Joseph Pugliese  
 Custom Network Solutions, Inc.  
 210 Route 4 East, Suite 201  
 4 Paramus, New Jersey 07652

5 Mr. William Perna  
 Custom Teleconnect, Inc.  
 6242 West Desert Inn Road  
 6 Las Vegas, Nevada 89146

7 Ms. Tamara Volmer  
 dishNet Wireline, LLC  
 9601 South Meridian Boulevard  
 8 Englewood, Colorado 80112

9 Mr. Robert E. Mocas  
 Easton Telecom Services LLC  
 3046 Brecksville Road,  
 Summit II-Unit A  
 10 Richfield, Ohio 44286

11 Ms. Donna Heaston  
 c/o Electric Lightwave, LLC; Eschelon  
 Telecom of Arizona, Inc.; Mountain  
 12 Telecommunications of Arizona, Inc.  
 6160 Golden Hills Drive  
 13 Golden Valley, Minnesota 55416

14 Ms. Sarah M. Baker  
 Encompass Communications, LLC  
 119 West Tyler Street, Suite 286  
 15 Longview, Texas 75601

16 Mr. Bruce Summers  
 Enhanced Communications Group, LLC  
 312 SE Delaware Avenue  
 Bartlesville, Oklahoma 74005

17 Mr. Thomas J. Haluskey  
 Enhanced Communications Network, Inc.  
 1031 South Glendora Avenue  
 18 West Covina, California 91790

19 Mr. Michael Ruziska  
 EnTelegent Solutions, Inc.  
 20 3800 Arco Corporate Drive, Suite 310  
 Charlotte, North Carolina 28273

21 Mr. Daniel L. Timm  
 ExteNet Systems, Inc.  
 22 3030 Warrenville Road, Suite 340  
 Lisle, Illinois 60532

23 Mr. Scott Howsare  
 First Choice Technology, Inc.  
 24 903 Lake Lilly Drive, Suite A125  
 Maitland, Florida 32751

25 Ms. Shannon Dieringer  
 First Communications, LLC  
 26 3340 West Market Street  
 Akron, Ohio 44333

27 Ms. Neomi Groman  
 France Telecom Corporate Solutions, LLC  
 13775 McLearen Road, Mail Stop 1100  
 28 Oak Hill, Virginia 20171-3212

Mr. Raymond Lee  
 c/o Frontier Citizens Utilities Rural; Frontier  
 Communications of America, Inc.; Frontier  
 Communications of the Southwest, Inc.;  
 Frontier Communications of the White  
 Mountains, Inc.; Frontier Communications  
 Online and Long Distance; Navajo  
 Communications Company, Inc.; SNET  
 America, Inc.  
 1800 41st Street  
 Everett, Washington 98203

Ms. Bethany M. Becker  
 GC Pivotal, LLC  
 200 South Wacker Drive, Suite 1650  
 Chicago, Illinois 60606

Mr. Bruce Holdridge  
 Gila Local Exchange Carrier  
 7065 West Allison Road, Box 5020  
 Chandler, Arizona 85226

Ms. Jane Mulvehill  
 Globalinx Enterprises, Inc.  
 SLINX Enterprises, Inc.  
 275 Kenneth Drive  
 Rochester, New York 14623

Mr. H. Jay Hill  
 Go Solo Technologies, Inc.  
 5410 Mariner Street, Suite 175  
 Tampa, Florida 33609

Mr. Shala Yazdani  
 Gold Line Telemanagement, Inc.  
 300 Allstate Parkway  
 Markham Ontario, Canada L3R OP2

Mr. Richard Wurman  
 Granite Telecommunications, LLC  
 100 Newport Avenue Extension  
 Quincy, Massachusetts 02171

Mr. Mark Salomone  
 Grasshopper Group, LLC  
 197 1st Avenue, Suite 200  
 Needham, Massachusetts 02494

Mr. Omesh Sharma  
 Greenfly Networks, Inc.  
 450 Townsend Street  
 San Francisco, California 94107

Mr. Robert McCausland  
 Hypercube Telecom, LLC  
 3200 West Pleasant Run Road, Suite 300  
 Lancaster, Texas 75146

Ms. Ellen Schmidt  
 iBasis Retail, Inc.  
 20 Second Avenue  
 Burlington, Massachusetts 01803

Mr. Carl Billek  
 IDT America, Corp.  
 550 Broad Street  
 Newark, New Jersey 07102

Ms. Kimm Partridge  
 incontact, Inc.  
 7730 South Union Park Avenue, Suite 500  
 Midvale, Utah 84047

1 Mr. Jim Holmquist  
Inmark, Inc.  
3595 South Town Center Drive, Suite 112  
Las Vegas, Nevada 89135

2  
3 Mr. Mark Lammert  
Intellicall Operator Services, Inc.  
740 Florida Central Parkway, Suite 2028  
Longwood, Florida 32750

4  
5 Ms. Colleen Lockett  
Intrado Communications Inc.  
1601 Dry Creek Drive  
Longmont, Colorado 80503

6  
7 Ms. Angela Hoke  
Ionex Communications North, Inc.  
2323 Grand Boulevard, Suite 925  
Kansas City, Missouri 64108

8  
9 Ms. Donna Palumbo  
IPC Network Services, Inc.  
3 Second Street, 15th Floor  
Jersey City, New Jersey 07311

10  
11 Mr. Michael Sharp  
Jive Communications, Inc.  
3214 North University Avenue, Suite 610  
Provo, Utah 84604

12  
13 Ms. Rosa Torraca  
Leap Frog Telecom, LLC  
8426 East Shea Boulevard  
Scottsdale, Arizona 85260

14  
15 Mr. Rueben Quinones  
Legacy Long Distance International, Inc.  
10833 Valley View Street, Suite 150  
Cypress, California 90630

16  
17 Mr. Scott A. White  
Legent Comm LLC  
3595 South Town Center Drive, Suite 112  
Las Vegas, Nevada 89135

18  
19 Ms. Sarah Oistad  
LoTel  
4946 Devonshire Circle  
Shorewood, Minnesota 55331

20  
21 Ms. Alex Valencia  
Matrix Telecom, Inc.  
433 East Las Colinas Boulevard, Suite 500  
Irving, Texas 75039

22  
23 Ms. Anna Sokolin-Maimon  
MCC Telephony of the West, LLC  
One Mediacom Way  
Mediacom Park, New York 10918

24  
25 Mr. Karl Tucker  
c/o MCI Communications Services, Inc.;  
MCImetro Access Transmission Services  
LLC; Teleconnect Long Distance Services  
and Systems Company; TTI National, Inc.  
One Verizon Way  
Baskin Ridge, New Jersey 07920

26  
27 Mr. Richard Monto  
Neutral Tandem- Arizona, LLC  
550 West Adams Street, Suite 900  
Chicago, Illinois 60661

28

Mr. Lyndall Nipps  
c/o McLeodUSA Telecommunications  
Services, LLC; PAETEC Communications,  
Inc.; Talk America, Inc.  
655 West Broadway, Suite 850  
San Diego, California 92101

Ms. Kristen Henzi  
MegaPath Corporation  
6800 Koll Center Parkway, Suite 200  
Pleasanton, California 94566

Mr. Timothy A. Thompson  
Mercury Voice and Data, LLC  
311 NNW Loop 323  
Tyler, Texas 75702

Mr. Ralph Dichy  
Metropolitan Telecommunications of  
Arizona, Inc.  
55 Water Street, 32nd Floor  
New York, New York 10041

Mr. John Stuart  
Midvale Telephone Company, Rural  
Network Services, Inc.  
2205 Keithley Creek Road  
Midvale, Idaho 83645

Mr. Jon Brinton  
MiteI NetSolutions, Inc.  
1146 North Alma School Road  
Mesa, Arizona 85201-3000

Mr. Thomas F. Speed, Jr.  
National Directory Assistance, LLC  
12700 Townepark Way  
Louisville, Kentucky 40243

Mr. Vincent Petrescu  
NECC Telecom, Inc.; Pulse Telecom, LLC  
4969 US Highway 42, Suite 2700  
Louisville, Kentucky 40222

Ms. Gina Wybel  
Netwolves Network Services, LLC  
47 10 Eisenhower Boulevard, Suite E8  
Tampa, Florida 33634

Mr. Jonathan Kaufman  
Network Billing Systems, LLC  
155 Willowbrook Boulevard  
Wayne, New Jersey 07470

Ms. Stephanie Jackson  
Network Communications International  
Corp.  
606 East Magrill Street  
Longview, Texas 75601

Ms. Susan Freeman  
Network Operator Services, Inc.  
PO Box 3529  
Longview, Texas 75606

Ms. Amanda Harris  
NetworkIP, LLC  
119 West Tyler Street, Suite 100  
Longview, Texas 75601

1 Ms. Karyn Bartel  
New Century Telecom, Inc.  
3050 Royal Boulevard South, Suite 175  
2 Alpharetta, Georgia 30022

3 Mr. Glen Nelson  
New Horizons Communications Corp.  
420 Bedford Street, Suite 250  
4 Lexington, Massachusetts 02420

5 Mr. Bruce A. White  
NextGen Communications, Inc.  
275 West Street, Suite 400  
6 Annapolis, Maryland 21401

7 Ms. Colleen Guffey  
NobelTel, LLC  
5973 Avenida Encinas, Suite 202  
8 Carlsbad, California 92008

9 Mr. Todd Lesser  
North County Communications Corporation  
3802 Rosecrans, Suite 485  
10 San Diego, California 92110

11 Ms. Jessica Renneker  
c/o NOS Communications, Inc.; NOSVA  
12 Limited Partnership; QuantumLink  
Communications  
250 Pilot Road  
Las Vegas, Nevada 89119

13 Mr. Don Pittman  
NTS Communications, Inc.  
1220 Broadway  
14 Lubbock, Texas 79401

15 Mr. Enrique Martinez  
OneLink Communications, Inc.  
8400 North University Drive, Suite 204  
16 Tamarac, Florida 33321

17 Mr. Scott Sawyer  
Onvoy, LLC  
10300 6th Avenue North  
18 Plymouth, Minnesota 55441

19 Mr. Bruce Li  
OPEX Communications, Inc.; Total  
Holdings, Inc.  
3777 Long Beach Boulevard, Suite 300  
20 Long Beach, California 90807

21 Mr. Brad VanLeur  
OrbitCom, Inc.  
1701 North Louise Drive  
22 Sioux Falls, South Dakota 57107

23 Mr. Kurt Tittelbach  
PAXX Telecom, LLC  
PO Box 12637  
24 Scottsdale, Arizona 85267

25 Ms. Sharon Porter  
PNG Telecommunications, Inc.  
8805 Governor's Hill Drive  
26 Cincinnati, Ohio 45249

27 Ms. Karrie Willis  
POPP.com, Inc.  
620 Mendelssohn Avenue North  
28 Golden Valley, Minnesota 55427

Mr. Keith Nussbaum  
Preferred Long Distance, Inc.  
16830 Ventura Boulevard, Suite 350  
Encino, California 91436

Ms. Elena Thomasson  
Primus Telecommunication, Inc.  
3903 Northdale Boulevard, Suite 220E  
Tampa, Florida 33624

Ms. Jenna Brown  
QuantumShift Communications, Inc.  
12657 Alcosta Boulevard, Suite 418  
San Ramon, California 94583

Mr. Bill Bryant  
Re-Invent Telcom, LLC  
10190 East McKellips Road  
Scottsdale, Arizona 85256

Mr. Terry Pavek  
Sage Telecom Communications, LLC  
10440 North Central Expressway, Suite 700  
Dallas, Texas 75231

Mr. Marc McLemore  
South Central Utah Telephone Association,  
Inc.  
PO Box 555  
45 North 100 West  
Escalante, Utah 84726

Mr. Ed Kazar  
Spectrotel, Inc.  
3535 State Highway 66, Suite 7  
Neptune, New Jersey 07753

Mr. Stephen Kukta  
Sprint Communications Company L.P.  
201 Mission Street, Suite 1500  
San Francisco, California 94105

Ms. Heidi Huffman  
Stratus Networks, Inc.  
4700 North Prospect Road  
Peoria Heights, Illinois 61616

Mr. Matthew J. Boos  
Table Top Telephone Company, Inc.  
47034 Road 201  
PO Box 21  
O'Neals, California 93645

Ms. Sharon Thomas  
Talk America Services, LLC  
PO Drawer 200  
Winter Park, Florida 32790-0200

Mr. Andrew Rasura  
TCAST Communications, Inc.  
24251 Town Center Drive, 2nd Floor  
Valencia, California 91355

Mr. William Linsmeier  
TCO Network, Inc.  
13400 Bishops Lane, Suite 295  
Brookfield, Wisconsin 53005

Mr. Phil Berry  
TDS Long Distance Corporation  
525 Junction Road  
Madison, Wisconsin 53717

1 Mr. Peter Goldberg  
Telco Experts, LLC  
169 Ramapo Valley Drive, Floor 3, Suite  
303  
2 Oakland, New Jersey 07436

3 Mr. Ashar Syed  
Tele Circuit Network Corporation  
1815 Satellite Boulevard, Suite 504  
4 Duluth, Georgia 30097

5 Mr. David Shorey  
Telecom Management, Inc.  
39 Darling Avenue  
6 South Portland, Maine 04106

7 Mr. Jeff Daniels  
Teledata Solutions, Inc.  
1767 Route 22 West  
8 Union, New Jersey 07083

9 Ms. Carmen Asorey  
TeleDias Communications, Inc.  
1100 California Avenue, Suite 220  
10 Reno, Nevada 89509

11 Ms. Christy Bodaness  
Telemanagement Systems, Inc.  
8135 South Algonquian Circle  
Aurora, Colorado 80016

12 Ms. Natalie Verette  
TeleQuality Communications, Inc.  
21232 Gathering Oaks, Suite 107  
13 San Antonio, Texas 78260

14 Mr. Clark Peterson  
Telesphere Access, LLC  
9237 East Via de Ventura, Suite 250  
15 Scottsdale, Arizona 85258

16 Mr. Avelino Iglesia  
TeleUno, Inc.  
2754 West Atlantic Boulevard, Suite 8  
17 Pompano Beach, Florida 33069

18 Ms. Oyebimpe-Oyewale-Smith  
Telmex USA, L.L.C.  
19 3350 SW 148th Avenue, Suite 400  
Miramar, Florida 33027

20 Ms. Melissa Driskell  
Telrite Corporation  
21 4113 Monticello Street  
Covington, Georgia 30014

22 Mr. Terry Pavek  
Telscape Communications, Inc.  
23 10440 North Central Expressway, Suite 700  
Dallas, Texas 75231

24 Mr. Michael W. Quinn  
c/o Time Warner Cable Business, LLC;  
25 Time Warner Cable Information Services  
(Arizona), LLC  
13820 Sunrise Valley Drive  
26 Herndon, Virginia 20171

27 Mr. Collin Greene  
TNCI Operating Company, LLC  
114 East Haley Street, Suite A  
28 Santa Barbara, California 93101

Mr. Yasunori Matsuda  
Total Call International, Inc.  
1411 West 190th Street, Suite 650  
Gardena, California 90248

Ms. Patricia Morrison  
Tower Cloud, Inc.  
9501 International Court North  
St. Petersburg, Florida 33716

Mr. Hugo Olivares  
Transtelco, Inc.  
500 West Overland Avenue, Suite 310  
El Paso, Texas 79901

Mr. Colin Wood  
Transworld Network, Corp.  
255 Pine Avenue North  
Oldsmar, Florida 34677

Ms. Shirley Ortiz  
Triplet Mountain Communications, Inc.  
PO Box 779  
Peridot, Arizona 85542

Mr. Matthew Myers  
Unite Private Networks, LLC  
120 South Stewart Road  
Liberty, Missouri 64068

Mr. Robert Young  
US Telecom Long Distance, Inc.  
3960 Howard Hughes Parkway, Suite 500  
Las Vegas, Nevada 89109

Ms. Marie Cataldo  
c/o Verizon Long Distance, LLC; Verizon  
Select Services, Inc.  
One Verizon Way, MC VC21E027A  
Basking Ridge, New Jersey 07920

Mr. Keith Cummings  
Voicecom Telecommunications, LLC  
5900 Windward Parkway, Suite 500  
Alpharetta, Georgia 30005

Mr. Brian Bothroyd  
Westel, Inc.  
8303 North Mopac Expressway, Suite C-400  
Austin, Texas 78759-8370

Ms. Natalia Rodrigues  
Wholesale Carrier Services, Inc.  
12350 NW 39th Street  
Coral Springs, Florida 33067

Ms. Erla Erlingsdottir  
Wide Voice, LLC  
410 South Rampart, Suite 390  
Las Vegas, Nevada 89145

Mr. James MacKenzie  
WiMacTel, Inc.  
13515 I Circle  
Omaha, Nebraska 68137

Ms. Jean Parker  
Working Assets Funding Services  
101 Market Street, Suite 700  
San Francisco, California 94105

Ms. Tina Tecce  
X2Comm, Inc.  
270 South Main Street  
Flemington, New Jersey 08822

Mr. Mark Pavol  
YMax Communications Corp.  
PO Box 6785  
West Palm Beach, Florida 33405-6785

Mr. Tim Gentry  
Zayo Group, LLC  
400 Centennial Parkway, Suite 200  
Louisville, Colorado 80027

Janice Alward, Chief Counsel  
Legal Division  
ARIZONA CORPORATION COMMISSION  
1200 W. Washington Street  
Phoenix, Arizona 85007

Thomas Broderick, Director  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 W. Washington Street  
Phoenix, Arizona 85007

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28



NOTICES OF PROPOSED RULEMAKING

This section of the Arizona Administrative Register contains Notices of Proposed Rulemakings.

A proposed rulemaking is filed by an agency upon completion and submittal of a Notice of Rulemaking Docket Opening. Often these two documents are filed at the same time and published in the same Register issue.

When an agency files a Notice of Proposed Rulemaking under the Administrative Procedure Act (APA), the notice is published in the Register within three weeks of filing. See the publication schedule in the back of each issue of the Register for more information.

Under the APA, an agency must allow at least 30 days to elapse after the publication of the Notice of Proposed Rulemaking in the Register before beginning any proceedings for making, amending, or repealing any rule. (A.R.S. §§ 41-1013 and 41-1022)

The Office of the Secretary of State is the filing office and publisher of these rules. Questions about the interpretation of the proposed rules should be addressed to the agency the promulgated the rules. Refer to item #4 below to contact the person charged with the rulemaking and item #10 for the close of record and information related to public hearings and oral comments.

NOTICE OF PROPOSED RULEMAKING

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES

[R16-29]

PREAMBLE

1. Article, Part, or Section Affected (as applicable) Rulemaking Action
R14-2-802 Amend

2. Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):

Authorizing statute: Arizona Constitution Article XV, § 3; A.R.S. §§ 40-202, 40-203, and 40-321

Implementing statute: Arizona Constitution Article XV, § 3; A.R.S. §§ 40-202, 40-203, and 40-321

3. Citations to all related notices published in the Register as specified in R1-1-409(A) that pertain to the record of the proposed rule:

Notice of Rulemaking Docket Opening: 22 A.A.R. 424, March 4, 2016 (in this issue).

4. The agency's contact person who can answer questions about the rulemaking:

Name: Maureen Scott, Senior Staff Counsel, Legal Division
Address: Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007
Telephone: (602) 542-3402
Fax: (602) 542-4870
E-mail: mscott@azcc.gov
Web site: www.azcc.gov

Name: Robin Mitchell, Staff Attorney, Legal Division

Address: Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007  
Telephone: (602) 542-3402  
Fax: (602) 542-4870  
E-mail: RMitchell@azcc.gov  
Web site: www.azcc.gov

Name: Matthew Connolly, Executive Consultant, Utilities Division  
Address: Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007  
Telephone: (602) 542-0856  
Fax: (602) 364-2270  
E-mail: MConnolly@azcc.gov  
Web site: www.azcc.gov

**5. An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:**

The purpose of the proposed rule change would be to amend R14-2-802(A) to exempt telecommunications carriers, whose retail telecommunications services have all been determined to be competitive, from application of the Affiliated Interest Rules, except as may be determined by a future Arizona Corporation Commission order. The specific change proposed is based upon and supported by the changes to A.R.S. § 40-285 made by the Arizona Legislature in 2013.

The proposed rule change is expected to relieve eligible telecommunications companies from having to submit to the Commission applications for waivers of the Affiliated Interest Rules associated with reorganizations, mergers, consolidations or refinancing, along with no longer having to submit Class A Investor-owned Utilities and Affiliates Annual Reports.

**6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:**

None

**7. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:**

Not applicable

**8. The preliminary summary of the economic, small business, and consumer impact:**

NOTE – The Arizona Corporation Commission is exempt from the requirements of A.R.S. § 41-1055 relating to economic, small business, and consumer impact statements. See A.R.S. § 41-1057(2). However, under A.R.S. § 41-1057(2), the Arizona Corporation Commission is required to prepare a “substantially similar” statement.

**Economic, Small Business and Consumer Impact Statement**

**1. Identification of the proposed rulemaking.**

The purpose of the proposed rule change would be to amend R14-2-802(A) to exempt telecommunications carriers, whose retail telecommunications services have all been determined to be competitive, from application of the Affiliated Interest Rules, except as may otherwise be determined by a future Commission

order. The specific change proposed is based upon and supported by the changes to A.R.S. § 40-285 made by the Arizona Legislature in 2013<sup>1</sup>.

2. **Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rulemaking.**

- a. Telecommunications service providers whose services have been determined to be competitive in Arizona; and the
- b. Arizona Corporation Commission.

3. **Cost-benefit analysis.**

a. **Probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rulemaking.**

There are no probable costs to the Commission. Probable benefits to the Commission of the proposed rulemaking would include cost and time savings associated with no longer having to process applications for waivers of the Affiliated Interest Rules associated with reorganizations, mergers, consolidations or refinancing, along with no longer having to process Class A Investor-Owned Utilities and Affiliates Annual Reports filed by telecommunications companies.

b. **Probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rulemaking.**

Not applicable

c. **Probable costs and benefits to businesses directly affected by the proposed rulemaking, including any anticipated effect on the revenues or payroll expenditures of employers who are subject to the proposed rulemaking.**

Probable benefits to telecommunications companies meeting the eligibility requirement of the proposed rulemaking would include cost and time savings associated with no longer having to submit applications for waivers of the Affiliated Interest Rules associated with reorganizations, mergers, consolidations or refinancing, along with no longer having to submit Class A Investor-Owned Utilities and Affiliates Annual Reports. Payroll expenditures of eligible companies will probably not be affected. Any revenue increase of eligible companies as a result of no longer having to perform the aforementioned filings is probably de minimis.

4. **Probable impact on private and public employment in businesses, agencies, and political subdivisions of this state directly affected by the proposed rulemaking.**

No impact on employment is expected.

5. **Probable impact of the proposed rulemaking on small businesses.**

a. **Identification of the small businesses subject to the proposed rulemaking.**

---

<sup>1</sup> In 2013, the legislature added Subpart (F) to the statute which reads as follows: F: "This section does not apply to a telecommunications corporation whose retail telecommunications services are all classified as competitive by the commission, except as may otherwise be determined by a commission order after the effective date of this amendment to this section."

To the extent that a small business may be involved in a future merger with an eligible telecommunication company, the small business may benefit as such a transaction would be less regulatory burdensome in Arizona.

b. **Administrative and other costs required for compliance with the proposed rulemaking.**

None

c. **A description of the methods that the agency may use to reduce the impact on small businesses.**

Not applicable

d. **Probable cost and benefit to private persons and consumers who are directly affected by the proposed rulemaking.**

There should be no costs or benefits to private persons who are customers of eligible telecommunications companies as a result of this rule making.

6. **Probable effect on state revenues.**

None

7. **Less intrusive or less costly alternative methods of achieving the purpose of the proposed rulemaking.**

The Commission is unaware of any alternative methods of achieving the purpose of the rule making that would be less intrusive or less costly.

8. **Description of any data on which the rule is based.**

The proposed rulemaking is not based on data.

C. **If for any reason adequate data are not reasonably available to comply with the requirements of subsection B of this section, the agency shall explain the limitations of the data and the methods that were employed in the attempt to obtain the data and shall characterize the probable impacts in qualitative terms.**

The proposed rulemaking is not based on data.

9. **The agency's contact person who can answer questions about the economic, small business and consumer impact statement:**

Name: Maureen Scott, Senior Staff Counsel, Legal Division

Address: Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Telephone: (602) 542-3402

Fax: (602) 542-4870

E-mail: mscott@azcc.gov

Web site: www.azcc.gov

Name: Robin Mitchell, Staff Attorney, Legal Division

Address: Corporation Commission



1200 W. Washington St.  
Phoenix, AZ 85007  
Telephone: (602) 542-3402  
Fax: (602) 542-4870  
E-mail: mscott@azcc.gov

Name: Matthew Connolly  
Address: Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007  
Telephone: (602) 542-0856  
Fax: (602) 364-2270  
E-mail: MConnolly@azcc.gov  
Web site: www.azcc.gov

**10. The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:**

The Commission has scheduled the following oral proceeding for public comments:

Date: April 14, 2016  
Time: 10:00 a.m.  
Location: Arizona Corporation Commission  
Hearing Room 1  
1200 W. Washington St.  
Phoenix, AZ 85007  
Nature: Oral proceeding

The Commission requests that written comments be filed by April 4, 2016 and that responsive written comments be filed by April 14, 2016. The comments may be filed with the Commission's Docket Control at the address listed above. Please reference Docket No. AU-00000A-15-0246 on all documents.

Oral comments may be provided at the proceedings on April 14, 2016, at 10:00 a.m., as noted above.

**11. All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:**

None

**a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:**

Not applicable

**b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:**

The rule is no more stringent than Federal Communications Commission rules. (47 C.F.R. 63.04)

**c. Whether a person submitted an analysis to the agency that compares the rule's impact on the competitiveness of business in this state to the impact on business in other states:**

None

**12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:**

None

**13. The full text of the rules follows:**

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;  
SECURITIES REGULATION**

**CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES**

**ARTICLE 8. PUBLIC UTILITY HOLDING COMPANIES AND AFFILIATED INTERESTS**

Section

R14-2-802. Applicability

**ARTICLE 8. PUBLIC UTILITY HOLDING COMPANIES AND AFFILIATED INTERESTS**

**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.
- B. No change

**NOTICE OF PROPOSED RULEMAKING**

**TITLE 20. COMMERCE, FINANCIAL INSTITUTIONS, AND INSURANCE**

**CHAPTER 5. INDUSTRIAL COMMISSION OF ARIZONA**

[R16-30]

**PREAMBLE**

- | <b><u>1. Article, Part, or Section Affected</u></b>  | <b><u>Rulemaking Action</u></b>   |
|--|---|
| R20-5-715  | Amend   |
| <b><u>2. Citations to agency's statutory rulemaking authority to include the authorizing statute and the implementing statute:</u></b>   |   |
| Authorizing statutes:  | A.R.S. §§ 23-107(A)(1); 23-961.01(B)  |
| Implementing statute:  | A.R.S. § 23-961.01(F)   |
| <b><u>3. Citations to all related notices published in the Register as specified in R1-1-409(A) that pertain to the record of the proposed rule:</u></b>   |   |
| Notice of Rulemaking Docket Opening: 22 A.A.R. 239, February 12, 2016.   |   |
| <b><u>4. The agency's contact person who can answer questions about the rulemaking:</u></b>  |   |
| Name:  | Scott J. Cooley, Attorney   |
| Address:   | Industrial Commission of Arizona<br>800 W. Washington St., Suite 303<br>Phoenix, AZ 85007 |
| Telephone:   | (602) 542-5781  |
| Fax:   | (602) 542-6783  |
| E-mail:  | scott.cooley@azica.gov  |
| <b><u>5. An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:</u></b>  |   |
| A.R.S. § 23-961.01(F) requires that the Industrial Commission of (Commission) "adopt rules necessary for safeguarding the solvency of pools and guaranteeing that injured workers receive benefits required under [A.R.S. Title 23, Chapter 6, Workers' Compensation]. These rules shall include, at a minimum, matters pertaining to [among other things] . . . specific and aggregate excess insurance . . . necessary for participation in and administration of the workers' |   |

## EXHIBIT 2

## AFFILIATED INTERESTS RULEMAKING

## FORMAL COMMENTS, STAFF RESPONSES, AND COMMISSION RESPONSES

WRITTEN COMMENTS		
Comment	Staff Response	Commission Response
<p>Qwest Corporation dba CenturyLink QC, CenturyLink Communications, L.L.C., and CenturyLink Public Communications, Inc. (collectively "CenturyLink") stated the following in support of the rule revision in the Notice of Proposed Rulemaking ("NPRM"):</p> <ul style="list-style-type: none"> <li>• The Affiliated Interests Rules were adopted by the Commission six years before Congress adopted the Telecommunications Act of 1996, which opened local telecommunications services to competition;</li> <li>• According to the decision in which they were adopted (Decision No. 56844 (March 14, 1990)), the Commission's purpose in adopting the Affiliated Interests Rules was to protect ratepayers from paying rates that included costs associated with holding company structure, financially struggling affiliates, or sweetheart deals with affiliates intended to extract capital from the utility to subsidize non-utility operations;</li> <li>• As a result of the Telecommunications Act of 1996, the telecommunications industry in Arizona and the rest of the nation has grown and become more fully competitive, providing customers with numerous options for service, including service from non-regulated providers;</li> <li>• The existence of competition has</li> </ul>	<p>Staff believes that the proposed rule revision will eliminate the need for the Commission to process and grant certain waivers of the Affiliated Interests Rules in the future and that this will conserve Commission resources and the resources of the affected telecommunications utilities. Staff supports the proposed rule revision and recommends that it be adopted.</p>	<p>The Commission acknowledges the supportive comment. No change to the proposed rule revision is necessary as a result of this comment.</p>

<p>made it impossible for utilities to pass through to utility customers, through rate increases, the losses from bad business diversification decisions, and without the ability to pass through such costs, utilities “have no incentive to engage in cross-subsidization or other activities that financially weaken the utility operation”;</p> <ul style="list-style-type: none"> <li>• In 2013, in recognition of the competitive telecommunications market as a substitute for Commission regulation, the Arizona Legislature amended A.R.S. § 40-285 to exempt competitive telecommunications providers from the requirement to obtain Commission approval to dispose of assets or acquire the stock of other public service corporations, and the rule revision is consistent with the amendment to A.R.S. § 40-285;</li> <li>• The Commission has granted numerous limited waivers to telecommunications utilities, which suggests that the Affiliated Interests Rules are overly broad;</li> <li>• Because separate utilities have filed for waivers from portions of the Affiliated Interests Rules, and the Commission has not granted any utility complete exemption, telecommunications utilities are now subjected to disparate levels of relief from the Affiliated Interests Rules; and</li> <li>• Telecommunications utilities, Staff, and the Commission are spending “inordinate amounts of time and energy on waivers for matters . . . better addressed by a total exemption from the [Affiliated Interests Rules] for competitive providers.”</li> </ul>		
--	--	--

<b>ORAL COMMENTS</b>		
<b>Comment</b>	<b>Staff Response</b>	<b>Commission Response</b>
Counsel for competitive providers XO Communications Services, LLC; Talk America, LLC; McLeodUSA Telecommunications Services; Paetec Communications, LLC; and Windstream Services, LLC stated that all of these carriers support the proposed rule change for efficiency and economic reasons and hope that the Commission will adopt it; that the proposed rule change tracks the legislative change to A.R.S. § 40-285 made in 2013; that putting the language of the revision into a separate subsection rather than including it in subsection (A) is a great idea; and that a number of counsel's clients would be filing their Affiliated Interests Rules Annual Reports that week, although those reports would not provide the Commission any useful information because the companies are not rate regulated.	Staff acknowledged the supportive comment.	The Commission acknowledges the supportive comment. No change to the proposed rule revision is necessary as a result of this comment.
Counsel for Cox Arizona Telecom, LLC ("Cox") stated that Cox supports the proposed amendment because the Affiliated Interests Rules were adopted in an era of monopoly utilities due to concerns regarding traditional rate of return regulation, the market has since changed radically to a competitive market that does not need the Affiliated Interests Rules, and the amendment will remove an unnecessary regulatory burden from the competitive telecommunications market.	Staff acknowledged the supportive comment.	The Commission acknowledges the supportive comment. No change to the proposed rule revision is necessary as a result of this comment.
Counsel for AT&T, Incorporated ("AT&T") stated that AT&T supports the rule amendment as stated in its informal comments filed on December 16, 2015.	Staff acknowledged the supportive comment.	The Commission acknowledges the supportive comment. No change to the proposed rule revision is necessary as a result of this comment.
Counsel for Qwest Corporation dba CenturyLink QC, CenturyLink Communications, L.L.C., and	Staff acknowledged the supportive comment.	The Commission acknowledges the supportive comment. No change to the proposed rule

<p>CenturyLink Public Communications, Inc. (collectively "CenturyLink") stated that it had filed written comments and that it is in favor of the rule amendment for the reasons stated in those written comments.</p>		<p>revision is necessary as a result of this comment.</p>
---	--	---

## EXHIBIT 3

## ECONOMIC, SMALL BUSINESS AND CONSUMER IMPACT STATEMENT

A.R.S. § 41-1055.

B. Economic, Small Business and Consumer Impact Statement1. Identification of the proposed rulemaking.

The purpose of the proposed rule change would be to amend R14-2-802(A) to exempt telecommunications carriers, whose retail telecommunications services have all been determined to be competitive, from application of the Affiliated Interest Rules, except as may otherwise be determined by a future Commission order. The specific change proposed is supported by the changes to A.R.S. § 40-285 made by the Arizona Legislature in 2013.<sup>1</sup>

2. Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rulemaking.

- a. Telecommunications service providers whose services have been determined to be competitive in Arizona; and the
- b. Arizona Corporation Commission.

3. Cost-benefit analysis.a. Probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rulemaking.

There are no probable costs to the Commission. Probable benefits to the Commission of the proposed rulemaking would include cost and time savings associated with no longer having to process applications for waivers of the Affiliated Interest Rules associated with reorganizations, mergers, consolidations or refinancing, along with no longer having to process Class A Investor-Owned Utilities and Affiliates Annual Reports filed by telecommunications companies.

b. Probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rulemaking.

Not applicable.

c. Probable costs and benefits to businesses directly affected by the proposed rulemaking, including any anticipated effect on the revenues or payroll expenditures of employers who are subject to the proposed rulemaking.

<sup>1</sup> In 2013, the legislature added Subpart (F) to the statute which reads as follows: "F: This section does not apply to a telecommunications corporation whose retail telecommunications services are all classified as competitive by the commission, except as may otherwise be determined by a commission order after the effective date of this amendment to this section."

Probable benefits to telecommunications companies which would be exempted by the proposed rulemaking would include cost and time savings associated with no longer having to submit applications for waivers of the Affiliated Interest Rules associated with reorganizations, mergers, consolidations or refinancing, along with no longer having to submit Class A Investor-Owned Utilities and Affiliates Annual Reports. Payroll expenditures of exempted companies will probably not be affected. Any revenue increase of exempted companies as a result of no longer having to perform the aforementioned filings is probably de minimis.

4. **Probable impact on private and public employment in businesses, agencies, and political subdivisions of this state directly affected by the proposed rulemaking.**

No impact on employment is expected.

5. **Probable impact of the proposed rulemaking on small businesses.**

a. **Identification of the small businesses subject to the proposed rulemaking.**

To the extent that a small business may be involved in a future merger with an exempted telecommunication company, the small business may benefit as such a transaction would be less burdensome from a regulatory perspective.

b. **Administrative and other costs required for compliance with the proposed rulemaking.**

None.

c. **A description of the methods that the agency may use to reduce the impact on small businesses.**

Not applicable.

d. **Probable cost and benefit to private persons and consumers who are directly affected by the proposed rulemaking.**

There should be no costs or benefits to private persons who are customers of exempted telecommunications companies as a result of this rulemaking.

6. **Probable effect on state revenues.**

None.

7. **Less intrusive or less costly alternative methods of achieving the purpose of the proposed rulemaking.**

The Commission is unaware of any alternative methods of achieving the purpose of the rulemaking that would be less intrusive or less costly.

8. **Description of any data on which the rule is based.**

While some data was considered, the proposed rulemaking is not based on this data.

C. **If for any reason adequate data are not reasonably available to comply with the requirements of subsection B of this section, the agency shall explain the limitations of the data and the methods that were employed in the attempt to obtain the data and shall characterize the probable impacts in qualitative terms.**

While some data was considered, the proposed rulemaking is not based on this data.