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Arizona Corporation Commission
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JUL 26 2016

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2016 JUL 26 P 3:03

TO: THE COMMISSION

FROM: Utilities Division

DATE: July 26, 2016

RE: IN THE MATTER OF THE JOINT APPLICATION OF MATRIX TELECOM, LLC AND TNCI OPERATING COMPANY, LLC FOR WAIVER OF SLAMMING RULES AND DISCONTINUANCE OF SERVICE. (DOCKET NOS. T-03228A-16-0136 AND T-20882A-16-0136)

Introduction

On April 25, 2016, Matrix Telecom, LLC (“Matrix”) and TNCI Operating Company, LLC (“TNCI”) (together, “Applicants”) filed an application requesting approval from the Arizona Corporation Commission (“Commission”) of the transfer of TNCI’s customers to Matrix (“Application”). In addition, the Applicants seek a waiver of Arizona Administrative Code (“A.A.C.”) R-14-1901-1913 (the “Slamming Rules”); ; a waiver of the notice and publication portion of the discontinuance rules per A.A.C. R-14-2-1107; the cancellation of TNCI’s Certificate of Convenience and Necessity (“CC&N”) and applicable tariffs and such other approvals as the Commission deems necessary for the Applicants to complete the transaction.

Staff recommends approval of the Application as discussed below.

Background

Matrix was incorporated under the laws of the State of Texas on June 13, 1990. Matrix’s principal office is located at 433 East Las Colinas Boulevard, Irving, Texas, 75039 and is a wholly owned subsidiary of Impact. In Arizona, Matrix holds a CC&N to provide competitive resold interexchange telecommunications services pursuant to Decision No. 65926, dated May 16, 2003, a CC&N to provide competitive resold local exchange services pursuant to Decision No. 68343, dated December 9, 2005 and a CC&N to provide competitive facilities-based local exchange services pursuant to Decision No. 69944, dated October 16, 2007. Matrix currently offers presubscribed interexchange and local telecommunications services in Arizona.

TNCI is a Delaware Limited Liability Company formed on January 9, 2013. Its principal offices are located at 114 East Haley Street, Suite I, Santa Barbara, California, 93101 and is a wholly owned subsidiary of TNCI Impact, LLC. In Arizona, TNCI holds a CC&N to provide resold long distance, resold local exchange, and facilities-based local exchange telecommunication services pursuant to Decision No. 74152, dated October 25, 2013.

The Applicants state the proposed transaction is part of a multi-state effort to consolidate certain subsidiaries of TNCI Impact, LLC ("Impact") and is therefore an internal corporate reorganization.

Discussion

The Proposed Transaction

The Applicants state TNCI's customers in all states in which it operates will be transferred to Matrix beginning on or after March 1, 2016, subject to required regulatory approvals. Currently, there are 29 TNCI business customers in Arizona. Following the transfer, these customers will be served by Matrix. Customers will continue receiving the same services from Matrix as they were receiving before the transaction from TNCI. Matrix's tariff will be revised to incorporate TNCI's services and TNCI will cease to operate.

Request for Waiver of Slamming Rules

The Applicants state they seek a waiver of the Slamming Rules and any other applicable anti-slamming regulations that may be inconsistent with the Federal Communications Commission's ("FCC") rules regarding the transfer of customer bases. A written notice of the proposed transfer was provided to all TNCI customers on or about January 28, 2016. The notice informed the TNCI customers of the transfer pursuant to Section 47 C.F.R 64.1120(e)(3) of the FCC's rules. Staff has reviewed the notice delivered to those affected customers. Because the notice informs customers the rates, terms and conditions of service will not change as a result of the proposed transactions and informs customers they may subscribe to the telecommunications service provider of their choice, Staff believes the Commission's Slamming Rules should be waived in this matter.

Request for Waiver of A.A.C. R14-2-1107 (B)

The Applicants request the Commission waive the publication requirement specified in A.A.C. R14-2-1107 (B). The Applicants stated they have already provided direct notice to the small number of customers of TNCI of the merger with Matrix as required by FCC rules.

Staff believes a waiver of A.A.C. R14-2-1107 (B) is appropriate in this circumstance as this is a transfer of customer base to a new provider, and there is no abandonment or discontinuance of service to TNCI customers as contemplated by the Rule, and TNCI's customers will continue to receive service under the same rates, terms and conditions, according to the Applicants..

Cancellation of CC&N

The Applicants request for cancellation of TNCI's CC&N and associated tariff effective upon consummation of the transaction is appropriate as TNCI will cease to operate after the transaction. TNCI has no employees in Arizona and has no facilities or assets in Arizona. TNCI has not collected any advances, deposits and/or prepayments from customers in Arizona nor do they have any contracts in place with Arizona customers.

Complaints and Compliance

The Consumer Services Section of the Utilities Division reports that from January 1, 2013 to May 3, 2016, there have been no complaints, inquiries, or opinions about Matrix or TNCI. Both Matrix and TNCI have filed their respective 2015 Utilities Annual Reports. According to the Corporations Division, Matrix and TNCI are in good standing. The Compliance Section of the Utilities Division reports there are currently no delinquencies for Matrix and TNCI and both are in compliance at this time.

Staff Recommendations

Staff recommends approval of the Application of Matrix and TNCI for Matrix to acquire the Arizona customers of TNCI. Staff also recommends, upon notification from the Applicants that the proposed transaction has been completed, the CC&N and tariffs of TNCI be cancelled. Upon cancellation of its CC&N, TNCI will no longer be authorized to provide telecommunications services in Arizona. Therefore, TNCI will no longer be subject to the requirements of Decision No. 74152.

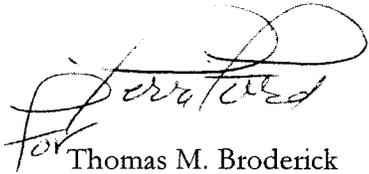
Staff further recommends that approval be conditioned on the following:

- The Applicants provide notice to Docket Control within thirty (30) days following completion of the proposed transaction in this Application.
- That Matrix file an updated tariff, within thirty (30) days of the effective date of a Decision in this matter, to incorporate the rates, terms and conditions of service that were included in the TNCI tariff.

With respect to the waivers requested by the Companies, based on the above, Staff recommends the following:

- Approval of the requested waiver of A.A.C. R14-2-1904 et seq. and any other applicable anti-slamming regulations that may be inconsistent with the FCC's rules regarding the transfer of customer base. The Companies' notice informs customers of the transfer to a new provider and that the rates, terms and conditions of service will not change as a result of this proposed transfer. It also informs customers that they may subscribe to the telecommunications service provider of their choice;

- Approval of the requested waiver of A.A.C. R14-2-1107 (B), which requires that the Applicant publish notice of the application in all counties affected by the Application describing with particularity the substance of the Application. The Applicants provided notice to all affected customers through a letter informing customers of the transaction.

for 

Thomas M. Broderick

Director

Utilities Division

TMB:MAC:nr\MAS

ORIGINATOR: Matt Connolly

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE JOINT
APPLICATION OF MATRIX TELECOM,
LLC AND TNCI OPERATING COMPANY,
LLC FOR WAIVER OF SLAMMING
RULES AND DISCONTINUANCE OF
SERVICE.

DOCKET NO. T-03228A-16-0136
T-20882A-16-0136
DECISION NO. _____
ORDER

Open Meeting
August 9 and 10, 2016
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. On April 25, 2016, Matrix Telecom, LLC (“Matrix”) and TNCI Operating Company, LLC (“TNCI”) (together, “Applicants”) filed an application requesting approval from the Arizona Corporation Commission (“Commission”) of the transfer of TNCI’s customers to Matrix (“Application”).
2. In addition, the Applicants seek a waiver of Arizona Administrative Code (“A.A.C.”) R-14-1901-1913 (the “Slamming Rules”); ; a waiver of the publication portion of the discontinuance rules per A.A.C. R-14-2-1107; the cancellation of TNCI’s Certificate of Convenience and Necessity (“CC&N”) and applicable tariffs and such other approvals as the Commission deems necessary for the Applicants to complete the transaction.
3. Staff recommends that the Commission approve the Application for the reasons discussed below.

Background

4. Matrix was incorporated under the laws of the State of Texas on June 13, 1990. Matrix's principal office is located at 433 East Las Colinas Boulevard, Irving, Texas, 75039 and is a wholly owned subsidiary of Impact. In Arizona, Matrix holds a CC&N to provide competitive resold interexchange telecommunications services pursuant to Decision No. 65926, dated May 16, 2003, a CC&N to provide competitive resold local exchange services pursuant to Decision No. 68343, dated December 9, 2005, and a CC&N to provide competitive facilities-based local exchange services pursuant to Decision No. 69944, dated October 16, 2007. Matrix currently offers presubscribed interexchange and local telecommunications services in Arizona.

5. TNCI is a Delaware Limited Liability Company formed on January 9, 2013. Its principal offices are located at 114 East Haley Street, Suite I, Santa Barbara, California, 93101 and is a wholly owned subsidiary of Impact. In Arizona, TNCI holds a CC&N to provide resold long distance, resold local exchange, and facilities-based local exchange telecommunication services pursuant to Decision No. 74152, dated October 25, 2013.

The Applicants state the transaction is part of a multi-state effort to consolidate certain subsidiaries of TNCI Impact, LLC ("Impact") and is therefore an internal corporate reorganization.

Discussion

6. The Applicants state TNCI's customers in all states in which it operates will be transferred to Matrix beginning on or after March 1, 2016, subject to required regulatory approvals. Currently, there are 29 TNCI business customers in Arizona. Following the transfer, these customers will be served by Matrix. Customers will continue receiving the same services from Matrix as they were receiving before the transaction from TNCI. Matrix's tariff will be revised to incorporate TNCI's services and TNCI will cease to operate.

Request for Waiver of Slamming Rules.

8. The Applicants state they seek a waiver of the Slamming Rules and any other applicable anti-slamming regulations that may be inconsistent with the Federal Communications

1 Commission's ("FCC") rules¹ regarding the transfer of customer bases. A written notice of the
2 proposed transfer was provided to all TNCI customers on or about January 28, 2016.

3 9. Staff has reviewed the notice delivered to the affected customers. Because the notice
4 informs customers of the transfer to a new provider; that the rates, terms and conditions of service
5 will not change as a result of the proposed transaction; and that the customer may subscribe to the
6 telecommunications service provider of their choice, Staff believes the waiver of the Commission's
7 Slamming Rules is appropriate..

8 **Request for Waiver of A.A.C. R14-2-1107(B)**

9 10. The Applicants request the Commission waive the publication requirement specified in
10 A.A.C. R14-2-1107 (B). The Applicants stated they have already provided direct notice by letter to the
11 small number of customers of TNCI of the merger with Matrix as required by FCC rule. Given the
12 small number of TNCI customers involved in the transfer, Staff believes that direct notice to affected
13 customers is more effective and less costly than publication.

14 11. Further, Staff believes a waiver of A.A.C. R14-2-1107(B) is appropriate in this
15 circumstance as there is no abandonment or discontinuance of service to TNCI customers as
16 contemplated by the Rule but rather the transfer is the result of a corporate reorganization, and
17 TNCI's customers will continue to receive service from Matrix under the same rates, terms and
18 conditions according to the Applicants.

19 **Cancellation of CC&N**

20 12. The Applicants request for cancellation of TNCI's CC&N and associated tariff
21 effective upon consummation of the transaction is appropriate as TNCI will cease to operate after the
22 transaction. TNCI has no employees in Arizona and has no facilities or assets in Arizona. TNCI has
23 not collected any advances, deposits and/or prepayments from customers in Arizona nor do they have
24 any contracts in place with Arizona customers.

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28 ¹ See 47 C.F.R. 64.1120(e)(3).

Complaints and Compliance

13. The Consumer Services Section of the Utilities Division reports that from January 1, 2013 to May 3, 2016, there have been no complaints, inquiries, or opinions about Matrix or TNCI. Both Matrix and TNCI have filed their respective 2015 Utilities Annual Reports. According to the Corporations Division, Matrix and TNCI are in good standing. The Compliance Section of the Utilities Division reports there are currently no delinquencies for Matrix and TNCI and both are in compliance at this time.

Staff Recommendations

14. Staff recommends approval of the Application of Matrix and TNCI for Matrix to acquire the Arizona customers of TNCI. Staff also recommends, upon notification from the Applicants that the proposed transaction has been completed, the CC&N and tariffs of TNCI be cancelled. Upon cancellation of its CC&N, TNCI will no longer be authorized to provide telecommunications services in Arizona. Therefore, TNCI will no longer be subject to the requirements of Decision No. 74152.

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

- The Applicants provide notice to Docket Control within thirty (30) days following completion of the proposed transaction in this Application.
- That Matrix file an updated tariff, within thirty (30) days of the effective date of a Decision in this matter, to incorporate the rates, terms and conditions of service for affected customers that were included in the TNCI tariff.

16. With respect to the waivers requested by the Companies, Staff recommends the following:

- Approval of the requested waiver of A.A.C. R14-2-1904 et seq. and any other applicable anti-slamming regulations that may be inconsistent with the FCC's rules regarding the transfer of customer bases because the Companies' notice informed customers of the change in service provider and that the rates, terms and conditions of service will not change as a result of this proposed transfer

1 and informs customers that they may subscribe to the telecommunications
2 service provider of their choice;

3 • A waiver of A.A.C. R14-2-1107(B), which requires that the Applicant publish
4 notice of the Application in all counties affected by the Application describing
5 with particularity the substance of the Application due to the small number of
6 affected subscribers, Applicants sent a letter to all affected customers
7 informing them of the transaction.

8 CONCLUSIONS OF LAW

9 1. Matrix Telecom, LLC and TNCI Operating Company, LLC are public service
10 corporations within the meaning of Article XV of the Arizona Constitution.

11 2. The Commission has jurisdiction over Matrix Telecom, LLC and TNCI Operating
12 Company, LLC and the subject matter of this filing.

13 3. The Commission, having reviewed the filing and Staff's Memorandum dated July 26,
14 2016, concludes that it is in the public interest to grant approval as proposed and discussed herein.

15 ORDER

16 IT IS THEREFORE ORDERED the Matrix Telecom, LLC and TNCI Operating Company,
17 LLC application to transfer TNCI Operating Company, LLC's customers to Matrix Telecom, LLC is
18 hereby approved.

19 IT IS FURTHER ORDERED that Matrix Telecom, LLC's and TNCI Operating Company,
20 LLC's request for a waiver of A.A.C. R14-2-1901 et seq. the Commission's Slamming Rules is hereby
21 approved in conjunction with the proposed transaction.

22 IT IS FURTHER ORDERED that Matrix Telecom, LLC's and TNCI Operating Company,
23 LLC's request for a waiver of A.A.C. R14-2-1107(B) which requires publication of the notice of the
24 Application in all counties affected by the Application is approved, given Applicant's having provided
25 all affected customers with notice by letter..

26 IT IS FURTHER ORDERED that within thirty (30) days following the closing of the
27 proposed transaction, Matrix Telecom, LLC and TNCI Operating Company, LLC shall inform the
28

1 Commission, by filing an affidavit with Docket Control, that the transaction has closed and the
2 proposed transfer has been consummated.

3 IT IS FURTHER ORDERED that effective with the filing by Matrix Telecom, LLC and
4 TNCI Operating Company, LLC of the affidavit with Docket Control informing the Commission the
5 transaction-related activities are completed, TNCI Operating Company, LLC's Certificate of
6 Convenience and Necessity granted in Commission No. 74152, to provide resold long distance, resold
7 local exchange, and facilities-based local exchange telecommunication services in Arizona shall be
8 cancelled.

9 IT IS FURTHER ORDERED that effective with the filing by Matrix Telecom, LLC and
10 TNCI Operating Company, LLC of the affidavit with Docket Control informing the Commission the
11 transaction-related activities are completed, TNCI Operating Company, LLC's tariffs on file with the
12 Commission will be cancelled.

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IT IS FURTHER ORDERED that Matrix Telecom, LLC Communications file an updated tariff, within thirty (30) days of the effective date of a Decision in this matter, to incorporate the rates, terms and conditions of service for affected customers that were included in the TNCI Operating Company, LLC's tariff.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN LITTLE

COMMISSIONER STUMP

COMMISSIONER FORESE

COMMISSIONER TOBIN

COMMISSIONER BURNS

IN WITNESS WHEREOF, I, JODI A. JERICH, Executive Director of the Arizona Corporation Commission, have 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 _____, 2016.

JODI A. JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:MAC:nr/MAS

1 SERVICE LIST FOR: MATRIX TELECOM, LLC AND TNCI OPERATING COMPANY, LLC
2 DOCKET NOS. T-03228A-16-0136 AND T-20882A-16-0136

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