



State of Utah
Department of Commerce
Division of Public Utilities

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Executive Director

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Director, Division of Public Utilities

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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Bill Duncan, Telecommunications / Water Manager
Ron Slusher, Utility Technical Consultant

Date: August 27, 2012

Re: In the Matter of the Joint Application of AT&T Communications of the Mountain States, Inc. and AT&T Corp. for Certificate of Public Convenience and Necessity as a Competitive Local Exchange Carrier, and for Informal Adjudication of Merger, Docket No. 12-087-01.

RECOMMENDATION (Approval):

The Division has reviewed the technical, managerial, and financial abilities of the AT&T Corp. and has found that they have provided the necessary information to fulfill the requirements as stated in the existing Commission rules. The Division believes that the public interest will be promoted by recommending that the Commission allow the Applicant a CPCN as requested under the same terms and conditions allowed in other CPCNs. The Division also recommends the approval of the internal merger of AT&T Communications of the Mountain States, Inc. and AT&T Corp. with AT&T Corp being the surviving entity.

The Division also recommends that the \$100,000 bond be waived on the basis that the AT&T Corp. will not require customer deposits or prepayments of any kind.

EXPLANATION:

AT&T Communications of the Mountain States, Inc. and AT&T Corp. ("Applicants") filed an application for a certificate of public convenience and necessity ("CPCN") and an informal adjudication of merger on or about August 16, 2012. The Division reviewed the application and found the following:

AT&T Corp. is a New York corporation with headquarters at One AT&T Way, Bedminster, New Jersey 07921. AT&T Corp., is a wholly-owned subsidiary of AT&T Inc., formerly SBC Communications Inc.

AT&T Communications of the Mountain States, Inc. (“ACMS”) is a Colorado corporation with headquarters at One AT&T Way, Bedminster, N.J. 07921. It is a wholly-owned subsidiary of AT&T Corp., which, in turn, is a wholly-owned subsidiary of AT&T Inc. ACMS provides local, interexchange, and other telecommunications services and products to residential, business, and government customers in Utah and is certificated with the Commission. The common stock of ACMS is not publicly traded.

The merger of the ACMS and AT&T Corp. is entirely internal to AT&T, Inc., the parent company of both entities involved and therefore AT&T, Inc. will retain complete indirect ownership and control of the assets, operations, and authorizations used to provide regulated services in the State of Utah, with AT&T Corp. the surviving entity. After the merger, ACMS wishes to surrender their CPCN.

The Applicants state that the merger will be transparent to their customers and that there will be change in rates or substantive terms and conditions under which AT&T Corp., through ACMS, currently serves customers either under tariff or contract. Once the merger is completed, the same personnel who manage these services will continue to do so and there will be no change in the network assets used to provide these services.

After the merger AT&T Corp. intends to serve the same locations formerly served by ACMS, and will limit local exchange services to local exchanges with 5,000 access lines or more, or that are owned or controlled by incumbent telephone corporations with 30,000 access lines or more in the State of Utah. As to types of services to be offered, they will include all services formerly offered by ACMS, including local exchange service for business and residential customers, long distance service, and access services.

AT&T Corp. will use existing ACMS facilities and arrangements, including the resale of Qwest carrier services and some AT&T facilities-based services.

AT&T Corp. will begin providing local exchange service for residential and business customers upon the completion of its merger with ACMS, which is planned for on or about October 31, 2012.

The Applicant claims that there are no pending complaints or investigations involving unauthorized switching (slamming) or any other illegal activities.

According to financial statements attested to be accurate, objective and with integrity by James F. Dionne, Executive Director – Accounting of AT&T Corp., the Applicant has a positive net worth and has ample working capital.

Summaries of professional experience and education of its managerial personnel demonstrate that the Applicant has considerable experience in the telecommunications industry. AT&T Corp. is currently certificated to provide competitive local service in the following jurisdictions CA, CT, IL, MA, ME, NH, NV, RI, and VT and is seeking similar certification in the following additional states AL, AR, AZ, CO, DC, DE, FL, GA, HI, IA, ID, KS, KY, LA, MD, MI, MN, MO, MS, MT, NC, ND, NE, NJ, NM, OH, OK, OR, PA, SC, SD, TN, WA, WI, and WY.

The Applicant requests that the \$100,000 bond requirement be waived because it will not require customer deposits or prepayments of any kind.

The Applicant asserts that approval of its application will serve the public interest creating and enhancing competition and expanding customer service options. Additionally, the approval of this application will expand the availability of innovative, high quality, reliable and competitively-priced telecommunications services in the State of Utah.

The Division has reviewed the technical, managerial, and financial abilities of the AT&T Corp. and has found that they have provided the necessary information to fulfill the requirements as stated in the existing Commission rules. The Division believes that the public interest will be promoted by recommending that the Commission allow the Applicant a CPCN as requested under the same terms and conditions allowed in other CPCNs. The Division also recommends the approval of the internal merger of AT&T Communications of the Mountain States, Inc. and AT&T Corp. with AT&T Corp being the surviving entity.

cc: Sharon Mullin, Director-Regulatory, AT&T services, Inc.
Roger Moffitt, General Attorney, AT&T Services, Inc.
Patricia Schmid, Assistant Attorney General, State of Utah
Justin Jetter, Attorney General, State of Utah
Eric Orton, Utility Analyst, Office of Consumer Services, State of Utah