



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED JOINT PETITION)
OF TELEPORT COMMUNICATIONS NEW YORK AND)
TELEPORT COMMUNICATIONS AMERICA, LLC FOR)
APPROVAL OF AN INTERNAL MERGER AND A)
TRANSFER OF LICENSE AS PART OF AN INTERNAL)
CORPORATE RESTRUCTURING)

ORDER

DOCKET NO. TM14030234

Parties of Record:

William K. Mosca, Jr., Esq., Bevan, Mosca, Giuditta & Zarillo, P.C., on behalf of Petitioners
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On March 10, 2014, Teleport Communications New York ("TCNY") and Teleport Communications America, LLC ("TCAL" and collectively, the "Petitioners"), by their counsel and pursuant to N.J.S.A. 48:2-51.1, N.J.S.A. 48:3-7 and N.J.A.C. 14:1.5.14 filed a verified joint Petition requesting that the New Jersey Board of Public Utilities ("Board") approve a proposed internal merger of TCNY and TCAL, both of which are wholly-owned indirect subsidiaries of AT&T Corp. Petitioners also request the transfer of TCNY's Authority to TCAL. Upon completion of the reorganization, TCAL will provide telecommunications services to all of the customers of TCNY at the same rates, terms, and conditions that they currently receive.

BACKGROUND

TCNY is a New York general partnership with headquarters in Bedminster, New Jersey. Currently the general partners of TCNY are TC New York Holdings I, Inc. and TC New York Holdings II, Inc., both of which are wholly owned subsidiaries of Teleport Communications Group Inc., which is a wholly-owned direct subsidiary of AT&T Corp., a wholly owned subsidiary of AT&T Inc. In New Jersey, TCNY was granted authority to provide local exchange telecommunications services on June 20, 1996. See Order, In the Matter of the Petition of Teleport Communications New York for a Rulemaking Authorizing Tariffs to Provide Alternative Local Exchange Services, Docket No. TX95100501. Teleport Communications America, LLC,

is a Delaware limited liability company with headquarters in Bedminster, New Jersey. TCAL is a wholly owned subsidiary of Teleport Communications Group Inc., which is a wholly owned subsidiary of AT&T Corp. TCAL assumed TCG New Jersey Inc.'s (TCGNJ) Authority to provide telecommunications services in New Jersey on December 31, 2012, by Order issued by the Board. See Order, In the Matter of the Verified Joint Petition of TCG New Jersey, Inc., and Teleport Communications America, LLC for Approval of Internal Merger and Transfer of License as Part of Internal Corporate Restructuring, Docket No. TM12090826, dated December 19, 2012.

AT&T Corp. is a New York corporation with headquarters in Bedminster, New Jersey. AT&T Corp. operates a worldwide telecommunications network and, either directly or through its subsidiaries, offers wireline and Internet-based services and products serving retail residential, business, government, and wholesale customers. AT&T Corp. is a subsidiary of AT&T Inc. (formerly SBC Communications Inc.).

DISCUSSION

As noted above, TCNY and TCAL are both wholly owned subsidiaries of Teleport Communications Group Inc., a wholly owned direct subsidiary of AT&T Corp., which in turn is a wholly owned subsidiary of AT&T Inc. According to the petition, on or about May 31, 2014, the assets, liabilities, and operations of TCNY and TCAL will be merged and the surviving entity will be TCAL. Petitioners also request that TCNY's Authority be transferred to TCAL.

The petition states that the proposed merger is part of multi-state initiative to consolidate in TCAL the provision of intrastate regulated telephone services that are now provided through multiple Teleport subsidiaries that operate within the AT&T corporate structure. The proposed transactions are entirely internal to AT&T Corp., which is a subsidiary of AT&T Inc., and part of a comprehensive effort to simplify the corporate structure of AT&T Corp. The Petitioners claim that this merger will result in a more streamlined corporate structure that will enable AT&T Corp. more efficiently to achieve operational, administrative, and strategic objectives.

In evaluating this petition, the Board must be satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1; N.J.A.C. 14:1-5.14(c). Also, under N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board is required to determine whether the public utility or a wholly owned subsidiary thereof may be unable to fulfill its pension obligations to any of its employees.

Petitioners assert that there will be no change in the rates or terms and conditions under which TCNY currently serves customers either under tariff or contract. Following the merger, all of the franchises, rights, and permits now exercised by TCNY will continue to be exercised by TCAL, using the same facilities, processes, and personnel employed by TCNY. TCNY will assign its service agreements to TCAL, and TCAL will, with the Board's approval, incorporate TCNY's existing New Jersey's tariffs into TCAL's tariffs and assume TCNY's rights and obligations under TCNY's existing tariffs. In addition, 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. Further, the Petitioners state that there are no adverse employment actions planned as a result of the merger. Petitioners also state that the merger will be transparent to customers, with the only change being a name change from TCNY to TCAL, and that the

surviving entity, TCAL, will make any required name changes to tariffs.

The Petition states that Petitioners will be providing customers a notice regarding the name change and that given the fact that the only difference customers will see is a change in the name of their provider, Petitioners request a waiver of the Board's anti-slamming regulations, N.J.S.A. 14:10-11.1 et seq., or its mass migration regulations, N.J.A.C. 14:10-12.1 et seq.

The Division of Rate Counsel has reviewed this matter and, by letter dated March 31, 2014, states that it does not oppose Board approval of the requests contained in the Petition.

FINDINGS AND CONCLUSIONS

After a thorough review of the petition and all related documents, the Board concludes that there will be no negative impact on rates or service quality since TCNY customers in New Jersey will continue to receive the same services at the same rates, through the same assets, provided by the same employees, and under the same terms and conditions. Also, the Board is satisfied that positive benefits will flow to customers based on the record presented by Petitioners as the transaction will result in a more streamlined corporate structure that will enable AT&T Inc., the parent of AT&T Corp., to more efficiently achieve potential operational, administrative, and strategic objectives. In addition, the Board is persuaded that petitioners will make every effort to minimize any potential adverse impact to employees in New Jersey. As for the request for the waiver regarding the Board's anti-slamming and its mass migration regulations, the Board **FINDS** that invoking those rules are not necessary in this instance and the request for waiver is **HERBY GRANTED**.

The Board also **FINDS** that in accordance with N.J.S.A. 48:2-59 and 48:2-60 and N.J.S.A. 52:27E-52, following the closing TCAL is responsible for the filing of TCNY's final annual report with the Board, and for the payment of any outstanding assessment liabilities to the Board and to the Division of Rate Counsel. Following the closing and once all customers have been transferred to TCAL, TCNY shall surrender its authority to the Board since TCAL currently has Authority to operate in New Jersey as noted above.

Accordingly, the Board **FINDS** that the proposed merger will have no material impact on the rates of current customers, or on employees. The Board also **FINDS** that the merger will have no negative impact on the provision of safe, adequate and proper service, and will positively benefit competition. Therefore, after investigation, having considered the record and exhibits submitted in this proceeding, the Board **FINDS** that the proposed merger is in accordance with the law and in the public interest, and **HEREBY ORDERS** that within 7 days of the consummation of the merger Petitioners shall notify the Board of the closing of the proposed transaction and that within 30 days new tariffs shall be filed with the Board to reflect the name change.


This Order shall be effective May 5, 2014.

DATED:

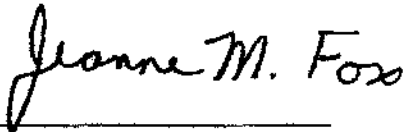
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BOARD OF PUBLIC UTILITIES

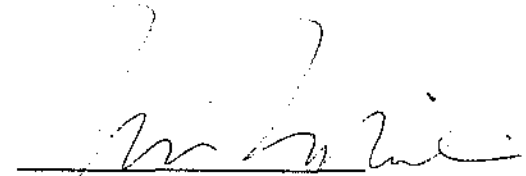
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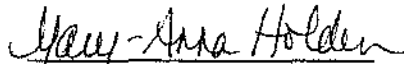
DIANNE SOLOMON
PRESIDENT



JEANNE M. FOX
COMMISSIONER

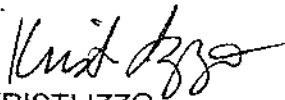


JOSEPH L. FIORDALISO
COMMISSIONER



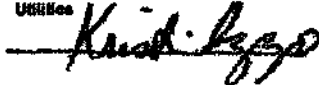
MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:



KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



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