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| PUC logo | COMMONWEALTH OF PENNSYLVANIA  PENNSYLVANIA PUBLIC UTILITY COMMISSION  P.O. BOX 3265, HARRISBURG, PA 17105-3265 | **IN REPLY PLEASE REFER TO OUR FILE** |

May 13, 2015

A-2015-2472427

DENISE N SMITH

KELLEY DRYE & WARREN LLP

3050 K ST NW SUITE 400

WASHINGTON DC 20007

Re: Application of Locus Telecommunications, Inc. for approval of an Intra-Corporate Reorganization

Dear Ms. Smith:

On March 18, 2015, Locus Telecommunications, Inc. (Locus or Applicant) filed an application pursuant to Chapter 11 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 1101-1103 and the Commission’s Abbreviated Procedures for Review and Approval of Transfer of Control for Telecommunications Public Utilities. The application was filed as a *General Rule Transaction* pursuant to 52 Pa. Code § 63.324 seeking approval of an intra-corporate reorganization.

Pursuant to 52 Pa. Code § 5.14, relating to applications requiring notice, a notice of the application for a transfer of control was published on March 28, 20135, in Volume 45 of the *Pennsylvania Bulletin* (45 *Pa.B.* 1591). Additionally, copies of the application were served upon the Office of Small Business Advocate, the Office of Consumer Advocate, and the Office of the Attorney General. Further notice was not required and no protests or comments have been received.

Locus is a Delaware corporation based in Fort Lee, NJ that is authorized to provide telecommunications services in 12 states. In Pennsylvania, Locus, utility code 310375, is certified to provide service as an IXC reseller pursuant to authority granted by the Commission in an Order entered on July 18, 1996, at Docket No. A‑310375. Locus is a wholly owned subsidiary of KDDI America, Inc. (KDDI).

KDDI, utility code 311269, is a New York corporation headquartered in New York, NY. The Applicant states that KDDI is authorized to provide interexchange telecommunication services in 42 states. In Pennsylvania, KDDI is certified to provide telecommunications services as an IXC pursuant to authority granted by the Commission in an order entered on July 18, 2003 at Docket No. A-311269. KDDI is authorized to provide resold wireless services throughout the United States as well as domestic interstate and international telecommunications services pursuant to FCC rules and regulations. KDDI is a wholly-owned subsidiary of KDDI Corporation, which is headquartered in Tokyo, Japan.

The Applicant proposes an internal corporate structure reorganization that would add a new company between Locus and KDDI. [[1]](#footnote-1) The new entity would be called KDDI US Holding, Inc. and would become the direct corporate parent of Locus. Additionally, Locus would convert from a corporation to a Delaware limited liability company.

The Applicant submits that the intra-corporate re-organization is in the public interest and will be transparent to the current customers, i.e., customers will continue to receive service without disruption under the same rates, terms and conditions. The Applicant avers that by permitting the corporate reorganization, Locus is able to enhance the quality and availability of its services, which directly benefits the public.

Locus states that it is not subject to a broadband deployment commitment under state law. The Applicant further asserts that it does not have eligible telecommunications carrier status under Federal law and the proposed transaction complies with the prohibition against cross-subsidization imposed under Federal and State law.

As required by Section 63.324(k)(1) of our rules, 52 Pa. Code § 63.324(k)(1), we find that the record sufficiently supports the Applicant’s claim that the reorganization will benefit customers by providing continuity of service to existing customers and will increase the financial and managerial resources available to these customers. After the proposed transaction, Locus will continue to provide telecommunication services at the same rates, terms and conditions and, therefore, the transaction will be transparent to current customers. For the reasons advanced by the Applicant, we conclude that the record provides substantial evidence of affirmative public benefits sufficient to warrant approval of the proposed transaction under *City of York v. Pa. PUC*, 295 A.2d 825 (Pa. 1972) and *Irwin A. Popowsky v.* *Pa. PUC,* 937 A.2d 1040 (Pa. 2007).

The Commission finds that the transaction is necessary for the service, accommodation, convenience, or safety of the public as required by Section 63.324(k)(2) of the Commission’s rules. The Commission will issue a certificate of public convenience approving this transaction as required under 66 Pa. C.S. §§ 1102(a) and 1103, and the Commission’s rules, 52 Pa. Code § 63.324(k)(2).

In addition, based upon the information provided in the application, the Commission finds that the transaction does not harm competition. The Commission’s approval enhances the Applicant’s ability to compete in Pennsylvania without harm to consumers or Pennsylvania markets as required by Section 63.324(k)(3) of our rules. 52 Pa. Code § 63.324(k)(3).

The Commission has determined that the Applicant is current with its annual financial and Security Planning and Readiness Self Certification Form report filing requirements, and there are no outstanding Commission fines or assessments against it.

In summary, we find that the application should be approved as a *General Rule Transaction* under Section 63.324 of the Commission’s rules as requested, and, that a certificate of public convenience be issued to Locus Telecommunications, Inc. evidencing our approval of the intra-corporate reorganization.

Therefore, the Commission directs the Applicant to file notice with this Commission within 30 days of the completion of the reorganization as well as a registration with the Department of State. For each tariff on file with this Commission, the Applicant should file a new title page, list of modification page, and check sheet. If the Applicant determines that the proposed transaction will not take place, it shall promptly so notify this Commission.

 BY THE COMMISSION,

Rosemary Chiavetta

Secretary

cc: Edward A. Yorkgitis, Jr.

Steven A. Augustino

Keiko Nakajima

Melissa Derr, TUS

Pennsylvania Emergency Management Agency 911 (E911)

1. We note that this internal corporate structure reorganization does not involve a new acquisition of any U.S.-based domestic telecommunications services firms by a foreign corporation (the KDDI Corporation, corporate parent of KDDI, is headquartered in Tokyo, Japan). [↑](#footnote-ref-1)