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ORIGINAL

Application of Argo Communications Corp. for a certificate of public convenience and necessity to provide telecommunications services within California.

Application 84-10-017
(Filed October 1, 1984)

Argo Communications Corp. (Argo or Applicant) seeks a certificate of public convenience and necessity authorizing it to provide telecommunications services within California through the use of microwave and other means. Argo's corporate headquarters is located in New Rochelle, State of New York. Argo, a wholly-owned subsidiary of The Argo Group Inc. (TAGI), is incorporated in the State of Delaware and is qualified to do business in the State of California.

Argo is authorized by the Federal Communications Commission (FCC) under § 214 of the Communications Act to construct, or otherwise acquire, and operate a nationwide telecommunications system for the provision of interstate service. This application seeks authority to use those facilities and others which may be constructed or acquired in the future to provide telecommunications services within California subject to the orders, rules, and regulations of this Commission governing such service.

Argo leases an office in Sherman Oaks at which it has installed a Northern Telecom DMS-250 central office digital switching facility. The DMS-250 has the capability to accommodate 30,000 ports. Argo also leases a location in Sylmar, California, at which it is constructing a 13-meter Harris antenna. The switch and the

antenna are connected by a microwave system. In Northern California Argo has similar equipment located in Richmond and San Francisco. Its satellite antenna is located in Richmond and its switch in San Francisco. The two locations are connected by a microwave system.

Argo's proposed intrastate telecommunications services will compete with those offered, or to be offered, by all parties of record in OII (I.) 83-06-01 and by other later applicants. Argo has served a copy of its application and the amendment thereto on all parties of record in I.83-06-01.

Argo is a new entrant in the rapidly growing field of long-distance telecommunications. In order to enter this field as a healthy and economically viable competitor, Argo has to date raised approximately \$53 million in cash equity through private sales of securities by its parent, TAGI. Argo's initial entry will be through the simultaneous construction of microwave transmission facilities, including state-of-the-art digital switching equipment and satellite earth stations, in 15 of the largest telephone-using metropolitan areas in the United States, including the Los Angeles and San Francisco metropolitan areas. This network will be used to provide ultra-high-quality, ultra-reliable telecommunications services, including both voice and data transmission and will be marketed initially to business customers. When equal access is in effect, Argo will market its services to residential users, but residential users will be accepted as customers from the outset.

Argo's operations within the State will initially be limited to service provided to customers located in the Los Angeles and San Francisco metropolitan areas. Its goal is to be serving not less than 300 customers within California by the end of 1984.

Argo believes that public convenience and necessity requires its certification because:

1. The Commission has determined that the public interest is served by the entry of non-dominant specialized common carriers into the interLATA market.
2. Argo is a non-dominant specialized common carrier offering services essentially similar to those offered by those parties to I.83-06-01 which were permitted immediate entry into the interLATA market by Decision (D.) 84-01-37.
3. Argo has adequate resources to construct and operate its proposed system.
4. As a result of prior Commission decisions, more than 20 companies are providing or propose to provide long-distance service within California. As a result of this vigorous competition, the Commission need not inquire into Argo's ability to meet the needs of individual subscribers, although, as noted above, Argo has raised \$53 million in cash equity. Since many, if not most of Argo's potential customers will be businesses larger than Argo itself, Argo asserts that the Commission may assume that such customers do not require its protection to any significant degree, especially in the competitive marketplace for interLATA telecommunications which now exists in California, where poor service will be met by switching to another carrier.
5. The other entrants have a substantial head start on Argo. It would be needlessly harmful to Argo and detrimental to the public interest in high quality, competitively priced telecommunications service, to delay Argo's entry into this marketplace beyond the date at which such service becomes technically possible.
6. Prior to commencing interLATA California service Argo will prepare and file with this Commission tariffs as required by General Order (GO) 96-A and modified by D.84-01-037.

The rates Argo proposes to charge are set forth in Exhibit 9 to the application. The step rates proposed in the application decrease cumulatively, that is, when a customer passes from one rate bracket to the next, his cost for all minutes used in a month drops to the lower rate.

Findings of Fact

1. Argo holds FCC permits to construct facilities in California to provide interstate telecommunications services.
2. Argo seeks a certificate of public convenience and necessity to operate those facilities to provide California intrastate telecommunications services.
3. Argo has the technical and financial ability, and the physical facilities to provide the intrastate telecommunications services proposed in the application.
4. The protest of Pacific Bell, filed November 9, 1984, seeks only to ensure that Argo is not authorized to provide intraLATA service.
5. Argo does not seek authority to provide intraLATA service.
6. Since the following order authorized Argo to provide only interLATA services, Pacific Bell's protest is moot.
7. No other protests have been filed.

Conclusions of Law

1. Applicant should be designated as a service supplier as defined in Part 22, Chapter 1, § 44016 of the Revenue and Taxation Code, and be subject to the tax on interLATA revenue, which is currently 4%.
2. Applicant should be subject to the user fee as a percentage of gross intrastate revenue pursuant to Public Utilities (PU) Code §§ 431-435. The fee is currently .1% for the 1984-85 fiscal year.
3. The application should be granted.
4. This order should be effective immediately so that the people of the State of California may have the benefit of the services offered by Argo as soon as possible.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Argo Communications Corp. for the operation of a public utility telephone system to provide only interLATA services.

2. Within 30 days after this order is effective, applicant shall file a written acceptance of the certificate granted in this proceeding.

3. Applicant is authorized to file with this Commission, 5 days after the effective date of this order, tariff schedules for the provision of interLATA service. If applicant has an effective FCC-approved tariff, it may file a notice adopting such FCC tariff with a copy of the FCC tariff included in the filing. Such adoption notice shall specifically exclude the provision of intraLATA service. If applicant has no effective FCC tariffs, or wishes to file tariffs applicable only to California intrastate interLATA service, it is authorized to do so, including rates, rules regulations, and other provisions necessary to offer service to the public. Such filing shall be made in accordance with General Order (GO) 96-A, excluding Sections IV, V, and VI, and shall be effective not less than one day after filing.

4. Applicant shall notify this Commission in writing of the date service is first rendered to the public as authorized herein, within five days after service begins.

5. Applicant shall keep its books and records in accordance with the uniform system of accounts.

6. Applicant shall file an annual report in compliance with GO 104-A, on a calendar-year basis using CPUC Annual Report Form L prepared according to the instructions included in that form.

7. The certificate granted and the authority to render service under the rates, charges, and rules authorized will expire if not exercised within 12 months after the effective date of this order.

8. Applicant is designated as a service supplier as defined in Part 22, Chapter 1, § 44016 of the Revenue and Taxation Code, and is subject to the tax on interLATA revenue.

9. Applicant is subject to the user fee as a percentage of gross intrastate revenue pursuant to Public Utilities Code §§ 431-435.

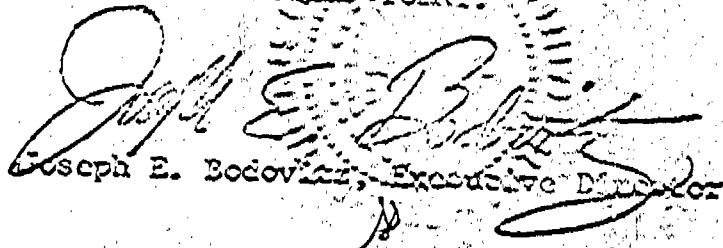
10. The application is granted as set forth above.

This order is effective today.

Dated DEC 5 1984, at San Francisco, California.

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C. GREW
WILLIAM T. BAGLEY
FREDERICK R. DUDA
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovick, Executive Director