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Decision 92-06-007 June 3, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
of Communication Telesystems)
International for a Certificate of)
Public Convenience and Necessity to)
Provide InterLATA Telecommunications)
Services Within California.)

ORIGINAL

Application 92-03-018
(Filed March 10, 1992)

O P I N I O N

Communication Telesystems International (CTS or applicant) seeks a certificate of public convenience and necessity (CPCN) to provide intrastate interLATA long distance services and operator services within California. Applicant anticipates also allowing customers to terminate calls anywhere in the contiguous United States, Alaska, Hawaii, Puerto Rico, and certain international points. Applicant will not offer, hold out, provide, or otherwise make available intraLATA services.

Applicant plans to offer both traditional 1+ service and alternative operator services (AOS) on an intrastate interLATA basis. At the present time, applicant acts as an independent marketing representative for several certified interexchange carriers. Upon certification, applicant intends to: (a) resell telecommunication services offered by other carriers; (b) use a switch to be installed and operated within an existing facility in San Diego which presently serves as the Point of Presence for several other carriers; and (c) operate as a nondominant interexchange carrier (NDIEC). Applicant will not construct or extend any facilities in California to implement or provide the service for which it seeks authority. Applicant intends to acquire a switch pursuant to a lease/purchase arrangement.

Applicant alleges that it possesses approximately \$500,000 in unencumbered cash and equivalent assets. Applicant certifies that: (a) the cash in applicant's accounts with Bank of California is not subject to any security interests, liens, or other encumbrances; and (b) all of the liabilities listed on applicant's balance sheet are unsecured.

Applicant asserts that it is a professional telecommunications company which possesses the requisite technical qualifications and competence necessary to obtain approval of its application. Applicant's staff includes trained and experienced personnel knowledgeable in such areas as:

- a. Carrier operations;
- b. Facilities-based long distance networks, local area networks, private networks, and operator services;
- c. Local access services and facilities;
- d. Switch maintenance and operation of facilities; and
- e. Computer programming and data processing operations.

The metropolitan areas where applicant's proposed services will be made available are in all LATAs in California. Applicant's customer base in California is estimated to be 800 during 1992 and 8,000 during 1996. Applicant's proposed rates for intrastate interexchange 1+ service and intrastate AOS are set forth in Exhibit D to its application. Applicant requests exemption from the requirement of providing most recent copies of an annual report and proxy statement pursuant to Rule 18(i) of the Commission's Rules of Practice and Procedure, on the grounds that applicant's stock is not listed on a national securities exchange or with the Security and Exchange Commission and, accordingly, applicant has not published an annual report or proxy statement.

Applicant submits the following in support of its application:

- a. Applicant's proposed intrastate 1+ services are designed to meet the long distance telephone service needs of subscribers who do not realize the same level of cost savings and communication services that are available to larger users.
- b. While providing its subscribers with the cost advantages realized by the resale of facilities-based capacity, applicant's proposed service will necessarily use existing communication facilities more efficiently.
- c. Commission approval of the instant application and the resulting increased competition within the California intrastate communications market will bring long-term benefits.

Applicant requests authority to deviate on an ongoing basis from the following provisions of General Order 96-A that the Commission has granted to other IECs: (1) Paragraph II.C(1) (b) which requires consecutive sheet numbering and prohibits the reuse of sheet numbers, and (2) Paragraph II.C(4) which requires that a separate sheet or series of sheets should be used for each rule. Applicant requests partial exemption from Rule 18(b) of the Commission's Rules of Practice and Procedure to the extent that this rule requires service on cities and counties in the proposed service area.

In Decision (D.) 90-08-032, the Commission established two major criteria for determining whether a CPCN should be granted. The applicant must demonstrate that it has a minimum of \$400,000 in uncommitted cash or equivalent financial resources. This minimum requirement increases 5% per year starting in 1991. Thus, for the year 1992, the minimum requirement is \$441,000. In addition, the applicant is required to make a reasonable showing of technical expertise in telecommunications or a related business.

We will authorize the interLATA service that applicant seeks to provide; but to the extent that the application seeks authority to provide intraLATA service, we will deny it.

Findings of Fact

1. Applicant served a copy of the application upon 87 telephone corporations with which it is likely to compete.
2. A notice of the filing of the application appeared in the Daily Calendar on March 13, 1992.
3. No protests have been filed.
4. A hearing is not required.
5. Applicant has a minimum of \$441,000 in uncommitted cash or equivalent financial resources, as required by D.90-08-032, as modified by D.91-10-041.
6. Applicant has made a reasonable showing of technical expertise in telecommunications (or in a related business), as required by D.90-08-032, pp. 34-35, 52, 57, in R.85-08-042.
7. Applicant is technically and financially able to provide the proposed services.
8. Since no facilities are to be constructed, it can be seen with certainty that the proposed operation will not have a significant effect upon the environment.
9. Public convenience and necessity require the service to be offered by applicant.

Conclusions of Law

1. Applicant is a telephone corporation operating as a telecommunication service supplier.
2. Applicant is subject to:
 - a. The current 3.0% surcharge applicable to service rates of intraLATA toll and intrastate interLATA toll (PU Code § 879; Resolution T-14400) to fund Universal Lifetime Telephone Service;
 - b. The current 0.3% surcharge on gross intrastate interLATA revenues to fund

Telecommunications Devices for the Deaf (PU Code § 2881; Resolution T-13061); and,

- c. The user fee provided in PU Code §§ 431-435, which is 0.1% of gross intrastate revenue for the 1991-92 fiscal year (Resolution M-4757).

3. Applicant is granted an exemption from Rule 18(b) regarding service on cities and counties and from the requirement of Rule 18(i) of providing copies of its most recent annual report and proxy statement.

4. The application should be granted to the extent set forth below.

5. Because of the public interest in competitive interLATA service, the following order should be effective immediately.

The State may grant any number of operative rights and may cancel or modify the monopoly feature of those rights at any time.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Communication Telesystems International (applicant) to operate as a reseller of the interLATA telecommunication service offered by communication common carriers in California, subject to the following conditions:

- a. Applicant shall offer its services only on an interLATA basis;
- b. Applicant shall not offer intraLATA services;
- c. Applicant shall not hold out to the public that it has authority to provide, or that it does provide, intraLATA services; and
- d. Applicant shall advise its subscribers that they should place their intraLATA calls

over the facilities of the local exchange company.

2. To the extent that applicant requests authority to provide intraLATA telecommunication service, it is denied.

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

4. a. 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. Applicant may not offer service until tariffs are on file. Applicant's initial 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 1 day after filing.

b. Applicant is a non-dominant interexchange carrier (NDIEC). The effectiveness of its future tariffs is subject to the schedules set forth in Ordering Paragraph 5 of D.90-08-032, as modified by D.91-12-013:

*5. All NDIECs are hereby placed on notice that their California tariff filings will be processed in accordance with the following effectiveness schedule:

- *a. Inclusion of FCC-approved rates for interstate services in California public utilities tariff schedules shall become effective on one (1) day's notice.
- *b. Uniform rate reductions for existing services shall become effective on five (5) days' notice.
- *c. Uniform rate increases, except for minor rate increases, for existing services shall become effective on thirty (30) days' notice, and shall require bill inserts, a message on the bill itself, or first class

mail notice to customers of the pending increased rates.

- *d. Uniform minor rate increases, as defined in D.90-11-029 for existing services shall become effective on not less than 5 working days' notice, and shall require bill inserts or a notice on the bill itself to inform customers of the increased rates.
- *e. Advice letter filings for new services and for all other types of tariff revisions, except changes in text not affecting rates or relocations of text in the tariff schedules, shall become effective on forty (40) days' notice.
- *f. Advice letter filings merely revising the text or location of text material which do not cause an increase in any rate or charge shall become effective on not less than five (5) days' notice."

5. Applicant may deviate from the following provisions of GO 96-A: (a) paragraph II.C.(1)(b), which requires consecutive sheet numbering and prohibits the reuse of sheet numbers, and (b) paragraph II.C.(4), which requires that "a separate sheet or series of sheets should be used for each rule." Tariff filings incorporating these deviations shall be subject to the approval of the Commission Advisory and Compliance Division's (CACD) Telecommunications Branch. Tariff filings shall reflect all fees and surcharges to which applicant is subject, as reflected in Conclusion of Law 2.

6. Applicant shall file as part of its individual tariff, after the effective date of this order and consistent with Ordering Paragraph 4, a service area map.

7. Applicant shall notify this Commission in writing of the date service is first rendered to the public within 5 days after service begins.

8. Applicant shall keep its books and records in accordance with the Uniform System of Accounts specified in Part 32 of the FCC rules.

9. Applicant shall file an annual report, in compliance with GO 104-A, on a calendar-year basis using the information request form developed by the CACD Auditing and Compliance Branch and contained in Attachment A.

10. 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.

11. Applicant shall send a copy of this decision to concerned local permitting agencies not later than 30 days from today.

12. The corporate identification number assigned to applicant is V-5273 which shall be included in the caption of all original filings with this Commission, and in the titles of other pleadings filed in existing cases.

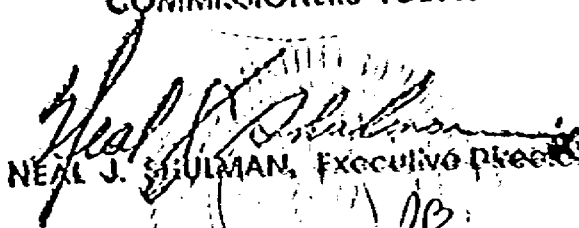
13. Within 60 days of the effective date of this order, applicant shall comply with PU Code § 708, Employee Identification Cards, and notify the Chief of CACD's Telecommunications Branch in writing of its compliance.

14. Applicant is exempted from the provisions of PU Code §§ 816-830.

15. The application is granted, as set forth above.
This order is effective today.
Dated June 3, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SULMAN, Executive Director

A.92-03-018 ALJ/RAB/gab

TO: ALL INTEREXCHANGE TELEPHONE UTILITIES

Article 5 of the Public Utilities Code grants authority to the California Public Utilities Commission to require all public utilities doing business in California to file reports as specified by the Commission on the utilities' California operations.

A specific annual report form has not yet been prescribed for the California interexchange telephone utilities. However, you are hereby directed to submit an original and two copies of the information requested in Attachment A no later than March 31st of the year following the calendar year for which the annual report is submitted.

Address your report to:

California Public Utilities Commission
Auditing and Compliance Branch, Room 3251
505 Van Ness Avenue
San Francisco, CA 94102-3298

Failure to file this information on time may result in a penalty as provided for in §§ 2107 and 2108 of the Public Utilities Code.

If you have any question concerning this matter, please call (415) 703-1961.



ATTACHMENT A

Information Requested of California Interexchange Telephone Utilities.

To be filed with the California Public Utilities Commission, 505 Van Ness Avenue, Room 3251, San Francisco, CA 94102-3298, no later than March 31st of the year following the calendar year for which the annual report is submitted.

1. Exact legal name and U # of reporting utility.
2. Address.
3. Name, title, address, and telephone number of the person to be contacted concerning the reported information.
4. Name and title of the officer having custody of the general books of account and the address of the office where such books are kept.
5. Type of organization (e.g., corporation, partnership, sole proprietorship, etc.).
If incorporated, specify:
 - a. Date of filing articles of incorporation with the Secretary of State.
 - b. State in which incorporated.
6. Commission decision number granting operating authority and the date of that decision.
7. Date operations were begun.
8. Description of other business activities in which the utility is engaged.
9. A list of all affiliated companies and their relationship to the utility. State if affiliate is at:
 - a. Regulated public utility.
 - b. Publicly held corporation.
10. Balance sheet as of December 31st of the year for which information is submitted.
11. Income statement for California operations for the calendar year for which information is submitted.

(END OF ATTACHMENT A)