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Decision 95-07-031 July 19, 1995

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Netel, Inc. d/b/a Netel Network Telecommunications, Inc. for a Certificate of Public Convenience and Necessity to Operate as a Provider of Intrastate and IntraLATA Interexchange Telecommunications Services within the State of California.

ORIGINAL

Netel, Inc. (applicant) seeks a certificate of public convenience and necessity (CPCN) to provide long distance intrastate and intraLATA interexchange telecommunications services within California. Applicant's legal name is Netel, Inc. It states that the name under which it will do business in California is Netel Network Telecommunications, Inc. Applicant is a privately held corporation incorporated in Delaware which maintains its principal office at Fort Lauderdale, Florida. Applicant has been authorized to transact business in California since January 1, 1993. Applicant alleges that its top management has extensive management and business experience. Applicant is an interexchange telecommunications carrier providing 24-hour long distance telephone service between origination points in California to all points in the contiguous United States, as well as intraLATA, interLATA and interstate calls. With applicant's service, an end-user placing an interLATA call dials "1", "area code", and the interLATA destination number. With applicant's service, an end-user placing an intraLATA call dials Netel's carrier access code and "1", "area code", and the intraLATA destination number. The decision also notes that

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Applicant seeks to provide long distance service at rates which are below American Telephone and Telegraph Company's rates and competitive with companies such as MCI Telecommunications Company and Sprint Communications Company. A general description of applicant's proposed intrastate rates is set forth in the application.

Applicant has no plans to construct its own facilities at this time. Applicant's service will be provided throughout California. NeTel, Inc. intends to offer a competitively priced long distance service to the commercial marketplace. By offering advanced services and keeping competitive rates, applicant feels its services will help promote competition and in turn give the public a service that is in their best interest. Applicant alleges that it has the financial resources required by the Commission's By Decision (D) 84-01-037 (14 CPUC2d 317 (1984)) and other later decisions we authorized interLATA entry generally. However, we limited the authority conferred to interLATA service; and we subjected the applicants to the condition that they not hold themselves out to the public to provide intralATA service. By D. 94-09-065, we authorized competitive intralATA services effective January 1, 1995, for carriers meeting specified criteria. The Commission has established criteria for determining whether a CPCN should be granted. An applicant who is a switchless reseller¹ must demonstrate that it has a minimum of \$25,000 of telephone service between origin and destination points in the contiguous United States, as well as intralATA.

¹ D. 93-05-010 defines a switchless reseller as a nondominant interexchange carrier (NDIEC) with the following characteristics: it uses the switch of another carrier; it usually, but not always, uses access circuits that the underlying carrier purchases from an IEC; it provides service in its own name, and its customers view it as their telephone company for interLATA and interstate calls. D. 92-06-069 noted that it is possible to control, operate or manage telephone lines without owning them. The decision also notes that

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cash or cash equivalent (as described in D:91-10-041, Appendix A, and Paragraph 5.1), reasonably liquid and readily available to meet the firm's start-up expenses. Such applicants shall also document any deposits required by local exchange companies or interexchange carriers (IECs) and demonstrate that they have additional resources to cover all such deposits. (D:93-05-010) In addition, an applicant is required to make a reasonable showing of technical expertise in telecommunications or a related business.

As part of its application, applicant provided financial information demonstrating that it satisfies four criteria for being reasonably liquid and has readily available funds to meet its needs:

We will authorize the interLATA and intralATA service that applicant seeks to provide.

Findings of Fact

1. Applicant served a copy of the application upon telephone corporations with which it is likely to compete.

2. A notice of the filing of the application appeared in the Daily Calendar on May 15, 1995.

3. No protests have been filed.

4. A hearing is not required.

5. By prior Commission decisions we authorized competition in providing interLATA telecommunications service but generally

12. Exemption from the provisions of BU Code 22 816-830 has

been granted to other resellers. (See, e.g., D.86-10-007 and D.88-12-06.)

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1. Applicant has the following resellers which do not own or directly operate their own telephone wires may still have plant which is owned, controlled, operated and/or managed in order to facilitate communication by telephone.

barred those offering such service from holding out to the public the provision of intralATA service. By D.94-09-065, we authorized competitive intralATA services effective January 1, 1995 for carriers meeting specified criteria.

7. Applicant has demonstrated that it has a minimum of \$100,000 of cash readily available to meet its start-up expenses.

8. Applicant has submitted with its application a complete draft of applicant's initial tariff which complies with the requirements established by the Commission including prohibitions on unreasonable deposit requirements.

9. Applicant has represented that no one associated with or employed by applicant was previously associated with a nondominant interexchange carrier that filed for bankruptcy or went out of business.

10. 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.

11. The Commission has routinely granted nondominant interexchange carriers, such as applicant, an exemption from Rule 18(b), where no construction is involved, to the extent that the rule requires applicant to serve a copy of its application on cities and counties in the proposed service area and to the extent that it requires applicant to provide a conformed copy of all exhibits attached to applicant's filed application to potential competitors.

12. Exemption from the provisions of PU Code §§ 816-830 has been granted to other resellers. (See, e.g., D.86-10-007 and D.88-12-076.)

Conclusions of Law

1. Applicant has the financial ability to provide the proposed service.

2. Applicant has made a reasonable showing of technical expertise in telecommunications or in a related business.

3. Public convenience and necessity require the interLATA and intraLATA service be offered by applicant.

4. Applicant is subject to:

a. The current 3.0% surcharge applicable to service rates of intraLATA toll and intrastate interLATA toll to fund the Universal Lifeline Telephone Service (PU Code § 879; D.94-09-065);

b. The current 0.3% surcharge on gross intrastate interLATA revenues to fund the California Relay Service and communications devices fund (PU Code § 2881; Resolution T-15254);

c. The user fee provided in PU Code §§ 431-435, which is 0.1% of gross intrastate revenue for the 1995-96 fiscal year (Resolution M-4777) and;

d. The California High Cost Fund fee of 0.5% (D.94-09-065).

5. Applicant should be exempted from Rule 18(b)'s requirement of service of the application on cities and counties in the proposed service area and service of all exhibits attached to this application on potential competitors.

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

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

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Netel, Inc. (applicant) to operate as a reseller of

interLocal Access and Transport Area (interLATA) and, to the extent authorized by Decision (D:) 94-09-065, intraLocal Access and Transport Area (intraLATA) telecommunication service offered by communication common carriers in California.

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

3. a. Applicant is authorized to file with this Commission tariff schedules for the provision of interLATA and intraLATA service. Applicant may not offer interLATA and/or intraLATA 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 nondominant 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 and D.92-06-034.

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.

O R D E R
"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.

Uniform minor rate increases defined in D.90-11-029 for existing services shall become effective on not less than 5 working days notice. Customer notifications is not required for such minor rate increases.

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.

4. Applicant may deviate from the following provisions of (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 4.

5. Applicant shall file as part of its initial tariff, after the effective date of this order and consistent with Ordering Paragraph 3, a service area map.

6. Applicant shall notify this Commission in writing of the date interLATA service is first rendered to the public within 5

days after service begins and again within 15 days of when intraLATA service begins.

7. Applicant shall keep its books and records in accordance with the Uniform System of Accounts specified in Title 47, Code of Federal Regulations, Part 32.

8. In the event the books and records of the applicant are required for inspection by the Commission or its staff, applicant shall either produce such records at the Commission's offices or reimburse the Commission for the reasonable costs incurred in having Commission staff travel to applicant's office.

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. Applicant shall ensure that its employees comply with the provisions of PU Code § 2889.5 regarding solicitation of customers.

11. 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.

12. The corporate identification number assigned to applicant is U-5487-C 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. In response to the applicant's request for waiver, applicant is exempted from Rule 18(b) of the Commission's rules of Practice and Procedure to the extent that the rule requires

applicant to serve a copy of its application on the cities and counties it proposes to operate in and to the extent that the rule requires applicant to serve a copy of all exhibits attached to its application on potential competitors.

16. If applicant is 90 days or more late in filing an annual report or in remitting the fees listed in Conclusion of Law Number 4, CACD shall prepare for Commission consideration a resolution that revokes the applicant's certificate of public convenience and necessity, unless applicant has received the written permission of CACD to file or remit late.

17. The application is granted, as set forth above.
This order is effective today.

Dated July 19, 1995, at San Francisco, California.

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
Commissioners

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

Wesley Franklin
Acting Executive Director

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
 - a.
 - 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)