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Decision 98-04-058 April 23, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Max-Tel Communications, for a Certificate of Public Convenience and Necessity to offer Resale of Local Exchange Telecommunications Services in the State of California.

Application 98-02-029
(Filed February 17, 1998)

O P I N I O N

I. Summary

Max-Tel Communications (applicant) seeks a certificate of public convenience and necessity (CPCN) under Public Utilities (PU) Code § 1001 for authority to provide resold local exchange telecommunications services as a competitive local carrier (CLC).¹ By this decision, we grant applicant authority to operate as a nonfacilities-based reseller of local exchange services in the service territories of Pacific Bell (Pacific) and GTE California Incorporated (GTEC).

II. Regulatory Background

In Decision (D.) 95-07-054, D.95-12-056, and D.97-06-107, we established procedures to govern applications for authority to offer competitive local exchange service within the service territories of Pacific and GTEC. Applicants that are granted authority to provide competitive local exchange service must comply with various rules established by the Commission, including: (1) the consumer protection rules set forth in Appendix B of D.95-07-054; (2) the rules for

¹ A CLC is a common carrier that is issued a CPCN to provide local exchange telecommunications service for a geographic area specified by such carrier.

local exchange competition set forth in Appendix C of D.95-12-056; and (3) the customer notification and education rules adopted in D.96-04-049.

III. Overview of Application and Procedural Background

Applicant, a Texas corporation qualified to do business in California, filed its application on February 17, 1998.

In its application, applicant requests authority to operate as a nonfacilities-based reseller of local exchange services within Pacific's and GTEC's service territories.

The California Environmental Quality Act requires the Commission as the designated lead agency to assess the potential environmental impact of a project in order that adverse effects are avoided, alternatives are investigated, and environmental quality is restored or enhanced to the fullest extent possible. Since applicant states that it will not be constructing any facilities for the purpose of providing local exchange services, it can be seen with certainty that there is no possibility that granting this application will have an adverse impact upon the environment.

IV. Financial Qualifications of Applicant

To be granted a CPCN for authority to resell local exchange service, an applicant must demonstrate that it has \$25,000 of cash or cash equivalent to meet the firm's start-up expenses. The applicant must also demonstrate that it has sufficient additional resources to cover all deposits required by other telecommunications carriers in order to provide service in California.²

Applicant provided an irrevocable letter of credit by its bank to provide the required cash. Applicant also represented that no carriers have required it to

² The financial standards for certification to operate as a CLC are set forth in D.95-12-056, Appendix C, Rule 4.B.

make deposits. We find that applicant has met our requirement that it possess sufficient financial resources to undertake its proposed operations.

V. Technical Qualifications of Applicant

To be granted a CPCN for authority to resell local exchange service, an applicant must make a reasonable showing of technical expertise in telecommunications or a related business. Applicant supplied biographical information on its management which demonstrates that it has sufficient business expertise and training to operate as a communications reseller.

To further demonstrate its technical expertise and fitness to serve, applicant represented that no one associated with or employed by applicant as an affiliate, officer, director, partner, or owner of more than 10% of applicant, was previously associated with a nondominant interexchange carrier (NDIEC) that filed for bankruptcy or went out of business, or was sanctioned by the Federal Communications Commission (FCC) or any state regulatory agency for failure to comply with any regulatory statute, rule or order.

We find that applicant has met our requirement that it possess adequate technical expertise to operate as a CLC.

Commission staff also reviewed applicant's draft tariffs for compliance with Commission rules and regulations. The deficiencies are noted in Attachment B of this decision. In its compliance tariff filing, applicant is directed to correct these deficiencies as a condition of our granting approval of the tariffs.

VI. Conclusion

We conclude that the application conforms to our rules for certification as a CLC. Accordingly, we shall grant applicant a CPCN to resell local exchange service in the service territories of Pacific and GTEC subject to compliance with the terms and conditions set forth herein.

Findings of Fact

1. Application (A.) 98-02-029 was filed on February 17, 1998.
2. A notice of the filing of the application appeared in the Daily Calendar on February 24, 1998.
3. By D.97-06-107, all IECs and CLCs are no longer required to comply with General Order 96A, subsections III.G(1) and (2), and Commission Rule of Practice and Procedure 18(b).
4. By D.95-07-054, D.95-12-056, D.95-12-057, and D.96-02-072, the Commission authorized CLCs meeting specified criteria to provide facilities-based local exchange services beginning January 1, 1996, and resold local exchange services beginning March 31, 1996.
5. There were no protests to this application.
6. A hearing is not required.
7. In prior decisions, the Commission authorized competition in providing local exchange telecommunications services within the service territories of Pacific and GTEC.
8. Applicant has demonstrated that it has a minimum of \$25,000 of cash or cash equivalent that is reasonably liquid and readily available to meet its start-up expenses.
9. Applicant represented that it will not be required to make any deposits with telecommunications carriers in order to provide the proposed services.
10. Applicant demonstrated that its management possesses the requisite technical expertise to provide resold local exchange services to the public.
11. Applicant represented that no one associated with or employed by applicant was previously associated with or employed by an NDIEC that filed for bankruptcy or went out of business or was sanctioned by the FCC or any state

regulatory agency for failure to comply with any regulatory statute, rule, or order.

12. As part of its application, applicant submitted a draft of its initial tariff which contained the deficiencies identified in Attachment B to this decision. Except for these deficiencies, applicant's draft tariffs complied with the requirements established by the Commission.

13. Since applicant does not propose to construct any facilities in order to provide resold local exchange services, it can be seen with certainty that granting applicant authority to provide resold local exchange services will not have a significant adverse effect upon the environment.

14. By D.95-12-057, as modified by D.97-01-015, CLCs are exempt from PU Code §§ 816-830.

15. By D.95-12-057, as modified by D.97-01-015, CLCs are exempted from the requirements of PU Code § 851 for the transfer or encumbrance of property whenever such transfer or encumbrance serves to secure debt.

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.
3. Public convenience and necessity require the applicant's competitive local exchange services be subject to the terms and conditions set forth herein.
4. Applicant is subject to:
 - a. The current 2.4% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the Universal Lifeline Telephone Service (PU Code § 879; Resolution T-16098, December 16, 1997);
 - b. The current 0.25% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund

the California Relay Service and Communications Devices Fund (PU Code § 2881; Resolution T-16090, December 16, 1997);

- c. The user fee provided in PU Code §§ 431-435, which is 0.11% of gross intrastate revenue for the 1997-1998 fiscal year (Resolution M-4786);
- d. The current surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California High Cost Fund-A (PU Code § 739.30; D.96-10-066, pp. 3-4, App. B, Rule 1.C., set by Resolution T-16117 at 0.0% for 1998, effective February 19, 1998);
- e. The current 2.87% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California High Cost Fund-B (D.96-10-066, p. 191, App. B, Rule 6.F.); and
- f. The current 0.41% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Teleconnect Fund (D.96-10-066, p. 88, App. B, Rule 8.G.).

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

6. Applicant, once granted a CPCN to operate as a CLC, should be subject to the Commission's rules and regulations regarding the operations of CLCs as set forth in D.95-07-054, D.95-12-056, and other Commission decisions.

7. Any CLC which does not comply with our rules for local exchange competition adopted in R.95-04-043 shall be subject to sanctions including, but not limited to, revocation of its CLC certificate.

8. Because of the public interest in competitive local exchange services, 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 Max-Tel Communications (applicant) to operate as a reseller of competitive local exchange services, subject to the terms and conditions set forth below.

2. Applicant shall file a written acceptance of the certificate granted in this proceeding.

3. Applicant is authorized to file with this Commission tariff schedules for the provision of competitive local exchange services. Applicant may not offer competitive local exchange services until tariffs are on file. Applicant's initial filing shall be made in accordance with General Order (GO) 96-A, excluding §§ IV, V, and VI and shall correct the deficiencies noted in Attachment B. The tariff shall be effective not less than one day after tariff approval by the Commission's Telecommunications Division. Applicant shall comply with the provisions in its tariffs.

4. Applicant is a competitive local exchange carrier (CLC). The effectiveness of its future CLC tariffs is subject to the schedules set forth in Appendix C, Section 4.B of Decision (D.) 95-12-056:

"E. CLCs shall be subject to the following tariff and contract filing, revision and service pricing standards:

"(1) Uniform rate reductions for existing tariff services shall become effective on five (5) working days' notice. Customer notification is not required for rate decreases.

"(2) Uniform major rate increases for existing tariff services shall become effective on thirty (30) days' notice to the Commission, and shall require bill inserts, or first class mail notice to customers at least 30 days in advance of the pending rate increase.

"(3) Uniform minor rate increases, as defined in D.90-11-029, shall become effective on not less than (5) working days' notice to the Commission. Customer notification is not required for such minor rate increases.

"(4) 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.

- “(5) Advice letter filings revising the text or location of text material which do not result in an increase in any rate or charge shall become effective on not less than five (5) days’ notice to the Commission.”
- “(6) Contracts shall be subject to GO 96-A rules for NDIECS, except interconnection contracts.
- “(7) CLCs shall file tariffs in accordance with PU Code § 876.”

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’s Telecommunications Division. Tariff filings shall reflect all fees and surcharges to which applicant is subject, as reflected in Conclusion of Law 4.

6. 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.

7. Applicant’s initial tariff shall correct the deficiencies identified in Attachment B to this order.

8. Prior to initiating service, applicant shall provide the Commission’s Consumer Services Division with the applicant’s designated contact person(s) for purposes of resolving consumer complaints and the corresponding telephone number. This information shall be updated annually, or if the name or telephone number changes.

9. Applicant shall notify this Commission in writing of the date that local exchange service is first rendered to the public. This notice shall be provided no later than five days after local exchange service first begins.

10. 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.

11. 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.

12. Applicant shall file an annual report, in compliance with GO 104-A, on a calendar-year basis using the information request form developed by Commission staff contained in Attachment A to this decision.

13. Applicant shall ensure that its employees comply with the provisions of Public Utilities (PU) Code § 2889.5 regarding solicitation of customers.

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

15. The corporate identification number assigned to applicant is U-5973-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.

16. Within 60 days of the effective date of this order, applicant shall comply with PU Code § 708, Employee Identification Cards, and notify the Director of the Telecommunications Division in writing of its compliance.

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

18. Applicant shall comply with the consumer protection rules set forth in Appendix B of D.95-07-054.

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19. Applicant shall comply with the Commission's rules for local exchange competition in California that are set forth in Appendix C of D.95-12-056, including the requirement that CLCs shall place customer deposits in a protected, segregated, interest-bearing escrow account subject to Commission oversight.

20. Applicant shall comply with the customer notification and education rules adopted in D.96-04-049 regarding the passage of calling party number.

21. The application is granted, as set forth above.

22. This proceeding is closed.

This order is effective today.

Dated April 23, 1998, at Sacramento, California.

RICHARD A. BILAS

President

P. GREGORY CONLON

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

Commissioners

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TO: ALL COMPETITIVE LOCAL CARRIERS

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 California Competitive Local Carriers. 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
Financial Reports, 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 and Competitive Local Carriers.

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)

ATTACHMENT B

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The following is a list of deficiencies in Max-Tel Communications, Inc.'s tariff filing:

1. All the tariff sheets are not in full compliance with the California Public Utilities Commission's (CPUC) format as detailed in General Order No. 96-A. Check with the Tariff Section of the Telecommunications Division for the appropriate CPUC tariff sheet format. In addition, see Resolution T-15959 for the inclusion of the caption "Competitive Local Carrier Tariff" on each tariff sheet.
2. Show the company's complete name, Max-Tel Communications, Inc., on each tariff sheet.
3. On the title sheet, show the correct Commission name as: "California Public Utilities Commission."
4. Include a service area map. Map should show the exchange boundaries for Pacific Bell and GTEC.
5. Sheet 4, Explanation of Symbols. Comply with General Order 96-A for the appropriate tariff symbols and their brief description.
6. Sheet 5, Technical Terms and Abbreviations. Include the definition of "Prepaid service" in your list of terms.
7. Sheet 6, Application of Tariff. Indicate the company's intent to provide only prepaid service. Also, comply with Rule 2 of Decision (D.) 95-07-054
8. Sheet 8, Liabilities of the Company. Comply with D.95-12-057 and concur with Pacific Bell's or GTEC's limitations of liability to the extent applicable for prepaid resale service.
9. Sheet 12, Payments and Billings (2.9.F.). Comply with Rule 8 of D.95-07-054 with regards to disputed bills.
10. Sheet 13, Interconnection. Since the company is not a facilities-based service provider, delete tariff on interconnection.
11. Sheet 13, Services Offered. (1) Indicate if the company also intends to provide service to business customers. If the company offers residential service, it must include language on Universal Lifeline Telephone Service and the applicable income limitations detailed in Resolution T-16010. (2) Since the company intends to provide only competitive local exchange service, delete any reference to long distance service. (3) Briefly describe each

ATTACHMENT B

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optional/custom calling feature. (4) Comply with the requirements of D.96-04-049 regarding Caller ID's customer notification and education plan materials and the provision of optional blocking feature (complete or selective blocking), if you are passing subscribers' calling party number on interstate calls as well as offering Caller ID service. The materials must be submitted, together with the advice letter filing, for review by the Telecommunications Division in consultation with the Commission's Public Advisor Office.

12. Sheet 13, Rate and Charges. (1) Identify the type of customers to whom the rates will apply. (2) Clarify if the rates apply to both Pacific Bell and GTEC service areas.
13. Sheet 14, Promotions & Taxes. (1) Note that promotions are subject to the provisions of General Order 96-A. (2) Include the applicable California surcharges.
14. Include tariffs on: (1) Demarcation points. A competitive local carrier must have a demarcation tariff or concur in another company's tariffs, (e.g., Pacific Bell's or GTEC's). (2) Directories. (3) Non-Published Service. (4) Special Information Required on Forms (see Rule 3 of D.95-07-054). (5) Change of Service Provider (see Rule 11 of D.95-07-054). (6) Privacy (see Rule 14 of D.95-07-054). (7) Blocking of 976/900 calls (see Rule 15 of D.95-07-054). (8) Access to 911 (see Rule 10.C)
15. Include sample forms.

(END OF ATTACHMENT B)