

FLORIDA PUBLIC SERVICE COMMISSION
Fletcher Building
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Tallahassee, Florida 32399-0850

M E M O R A N D U M

MAY 30, 1991

TO : DIVISION OF RECORDS AND REPORTING *EW*

FROM : DIVISION OF COMMUNICATIONS [WILLIAMS, CHEEK, DAVIS] *CM*
DIVISION OF LEGAL SERVICES [MURPHY] *RJ*

RE : DOCKET NO. 910155-TI; APPLICATION OF INTER-TEL
NETSOLUTIONS, INC. FOR A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY AUTHORIZING OPERATION AS AN
INTEREXCHANGE TELEPHONE COMPANY IN FLORIDA.

AGENDA : JUNE 11, 1991 - CONTROVERSIAL - PROPOSED AGENCY ACTION
- PARTIES MAY PARTICIPATE

PANEL : FULL COMMISSION

CRITICAL DATES : NONE

SPECIAL INSTRUCTIONS: NONE

DISCUSSION OF ISSUES

ISSUE 1: Does INTER-TEL NETSOLUTIONS, INC.'s interexchange carrier application meet the Commission's requirements for certification?

RECOMMENDATION: Yes, INTER-TEL NETSOLUTIONS, INC.'s interexchange carrier application meets the Commission's requirements for certification.

STAFF ANALYSIS: Rule 25-24.470, Florida Administrative Code, Certificate of Public Convenience and Necessity Required, and Rule 25-24.471, Florida Administrative Code, Application for Certificate, establish the requirements for certification as an interexchange telephone company (IXC).

On February 15, 1991, INTER-TEL NETSOLUTIONS, INC. (the company) filed an application for a Certificate of Public Convenience and Necessity to operate as an interexchange telephone company (IXC).

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FPSC-RECORDS/REPORTING

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The company, located in Florida at 5670 W. Cypress Street, Suite G, Tampa, Florida 33607 and nationally at 11488 Luna Road, Dallas, Texas 75234, is a foreign corporation authorized to do business in Florida. At present, they are certificated as an IXC in Texas and have an application pending for certification in Arizona, Louisiana and California. The company states that it has not been denied a certificate in any state where filed; no regulatory penalties have ever been imposed; nor has it been involved in any civil court proceedings with IXCs, local exchange companies (LECs) or other telecommunications entities. The company also states, it has not previously provided intrastate service in Florida, and agrees to comply with the Commission's EAEA requirements, LEC bypass restrictions, payment of regulatory assessment fees and all other applicable Commission rules and orders.

The company is a non-facilities based company which leases switching and transmission capacity, depending upon traffic demand. The company initially plans to offer resold long distance service with alternative operator service in the Tampa, St. Petersburg and Clearwater exchange areas.

The company's application has satisfied our standard filing requirements.

ISSUE 2: Does INTER-TEL NETSOLUTIONS, INC.'s proposed interexchange carrier tariff meet the Commission's requirements?

RECOMMENDATION: Yes, INTER-TEL NETSOLUTIONS, INC.'s proposed interexchange carrier tariff meets the Commission's requirements.

STAFF ANALYSIS: Rule 25-24.485, Florida Administrative Code, requires that each interexchange carrier wishing to do business in Florida maintain a tariff on file with this Commission of particular format and content. The Company's tariff is of proper format and contains all the provisions of this rule.

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The Company's tariff offers the following services:

- MTS with statewide flat rates per minute (i.e. not distance sensitive)
 - Method of access is FGA
 - Method of access is FGB
 - Method of access is FGD
 - Method of access is 800

- MTS for pay telephone service providers

- 800 Service Toll (Toll Free)

- WATS type service (Bulk or volume discount)
 - Method of access is via dedicated facilities
 - Method of access is via switched facilities

- Travel Service
 - Method of access is 950
 - Method of access is 800

- Operator Services
 - Available to presubscribed customers
 - Available to non presubscribed customers (for ex., to patrons of hotels, students in Universities, patients in hospitals.)
 - Available to inmates

Services included are:

- Station assistance
- Person to Person assistance
- Directory assistance
- Operator verify and interrupt
- Conference Calling

- Other: Problem assistance

The Company's tariff meets our standard filing requirements.

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ISSUE 3: Does INTER-TEL NETSOLUTIONS, INC. meet the Commission's requirements for waiver of the bond requirement?

RECOMMENDATION: No, INTER-TEL NETSOLUTIONS, INC. does not meet the Commission's requirements for waiver of the bond requirement. The company should be required to post a bond in the amount of \$10,000.

STAFF ANALYSIS: Rule 25-24.490(3), Florida Administrative Code, requires that all IXC's requiring any deposits or requiring advance payments of more than one month's service file a bond with the Commission in an amount equal to the balance of those deposits and advance payments. The company's tariff states that it will require deposits from its customers who are unable to demonstrate a good credit or payment history.

The Commission has received eleven petitions requesting waiver of Rule 25-24.490 (3), Florida Administrative Code, since its adoption in 1986. In applying for a waiver, the Rule requires that the utility must demonstrate "that it possesses the financial resources and income to provide assurance of continued operation under its certificate over the long run." Of the eleven, six did not meet this requirement; and the waiver was denied. One of the five waivers granted met the requirement, three waivers were granted on the strength of, and a guarantee from, the parent company and the other was granted for contract services only.

INTER-TEL NETSOLUTIONS, INC. (INS) has requested a waiver of this rule based on the viability of its parent company, INTER - TEL INCORPORATION (INTER-TEL). INS views the bonding requirement for small, start-up companies as burdensome and unnecessary in view of the commitment of its parent. INS seeks the waiver to be able to obtain deposits from business customers with unsatisfactory credit or payment history.

The financial data submitted is for INTER-TEL, the parent company. Our review of this data for both 1989 and 1990 indicated that INTER-TEL appears financially sound, but small, with heavily diluted stock values. No data was submitted for INS.

By not filing financial data for themselves, INS has failed to "demonstrate that it possesses the financial resources and income to provide assurance of continued operations under its certificate over the long term" (emphasis added) as required by the Rule. The parent, which appears to be willing to insure payment of customer deposits, is a small company by

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communications standards with modest income and growth. Thus, the request for waiver should be denied based on the financial viability requirement.

The company's contention that the bond requirement is burdensome, is not backed up by financial data. The standard rate for bonds is \$20.00 per \$1,000 guaranteed annually. Of the bonds currently posted pursuant to this Rule, the largest is \$100,000 posted by Sprint Communications Co. The others range from \$5,000 to \$25,000 requiring annual fees of \$100 to \$500 annually. This is a modest amount for a small company with limited customer deposits and staff does not consider this burdensome.

Based on the above, staff recommends that INS's petition for waiver of Rule 25-24.490 (3), Florida Administrative Code, be denied.

The company should be required to post a bond in the amount of \$10,000.00 in order to adequately protect the customers deposits. The amount of the bond is reviewed annually at the time the company files its annual report with the Commission. The amount of the bond can be adjusted up or down to reflect the actual deposits collected by the company. A bond in the amount of \$10,000.00 should cost the company approximately \$200.00 annually. Staff does not consider this burdensome.

ISSUE 4: Should a certificate be granted to INTER-TEL NETSOLUTIONS, INC. to operate as an interexchange telephone company in Florida, and should this Docket be closed?

RECOMMENDATION: Yes, a certificate should be granted to INTER-TEL NETSOLUTIONS, INC. to operate as an interexchange telephone company in Florida when a bond in the amount of \$10,000.00 has been filed with the Commission Clerk.

This Docket should be closed after the effective date of the proposed agency action (PAA) order, assuming no protest is received and after a bond in the amount of \$10,000.00 has been filed with the Commission Clerk.

STAFF ANALYSIS: The Company's application and tariff have satisfied our certification requirements.