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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

AUG 06 2009

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

DOCKETED BY
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IN THE MATTER OF THE APPLICATION
OF RELIANCE COMMUNICATIONS
INTERNATIONAL, INC. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE RESOLD LONG
DISTANCE TELECOMMUNICATIONS
SERVICES.

DOCKET NO. T-20611A-08-0405

DECISION NO. 71225

ORDER

Open Meeting
July 28 and 29, 2009
Phoenix, Arizona

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On August 1, 2008, Reliance Communications International, Inc. ("Reliance" or "Company"), filed with the Commission an application for a Certificate of Convenience and Necessity ("CC&N") to provide competitive resold long distance telecommunications services within a service area encompassing the entire State of Arizona ("Application").

2. On October 22, 2008, the Company filed its Affidavit of Publication stating that Notice of the Application was published on September 23, 2008, in the *Arizona Business Gazette*.

3. On April 14, 2009, Reliance filed its responses to the Commission's Utilities Division Staff's ("Staff") First Set of Data Requests.

4. On May 13, 2009, Staff filed its Staff Report recommending approval of Reliance's Application, subject to certain conditions.

Fitness and Properness to Obtain a CC&N

5. Reliance is a Delaware corporation, granted authority on May 27, 2004, to do business in Arizona as a foreign corporation.

6. Reliance is in good standing with the Commission's Corporations Division.

7. Reliance does not currently hold a CC&N to provide telecommunications services in Arizona and is not providing telecommunications services in Arizona.

8. Reliance has indicated that neither Reliance nor any of its officers, directors, partners, or managers have been or are currently involved in any civil or criminal investigations, have had judgments entered in any civil or criminal matter or levied by any administrative or regulatory agency, nor have been convicted of any criminal acts within the past 10 years.

9. Reliance has indicated that neither Reliance nor any of its officers, directors, partners, or managers have been or currently are involved in any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency.

10. Staff contacted the public utility commissions ("PUCs") in the nine states¹ in which Reliance asserts it is authorized to offer telecommunications services to verify that Reliance is certificated or registered to provide telecommunication services, and to inquire as to consumer complaints. According to Staff, none of the PUCs contacted reported any complaints against the Company.

Technical Capabilities

11. Reliance intends to offer resold long distance telecommunications services to subscribers in Arizona. The Company indicated that its plans include the provision of pre-paid and post-paid calling services purchased on its website by customers.

12. Reliance has authority to provide telecommunications services in nine states, but has not begun providing service.

13. Reliance's four key management personnel have more than 73 years combined

¹ Reliance is authorized to provide telecommunications services in Arkansas, California, Colorado, Florida, Illinois, Indiana, Montana, New York, and Texas.

1 experience in the telecommunications communications industry.

2 14. Staff has determined that Reliance has sufficient technical capabilities to provide
3 resold long distance telecommunications services in Arizona.

4 **Financial Resources**

5 15. Reliance provided audited financial statements for the 12-month period ending March
6 31, 2008. The financial statement for this period lists total assets of \$25,817,361, total equity of
7 \$3,836,342, and net income of \$1,914,398. The Company also provided financial statements for the
8 12-month period ending March 31, 2007. The financial statement for this period lists total assets of
9 \$19,595,402, total equity of \$1,921,944, and net income of \$1,869,290.

10 16. The Company notes that, if necessary, it will rely on the financial resources of its
11 parent company, Reliance Communications, Inc.

12 17. Reliance projects total revenues generated by the provision of telecommunications
13 services to Arizona customers for the first 12 months of operations to be \$204,500, with operating
14 expenses during that period of \$19,300.

15 18. Reliance projects the net book value of all Arizona jurisdictional assets and the
16 projected value of all Arizona assets after the first 12 months of operations to be zero.

17 19. Staff stated that Reliance's experiencing financial difficulty would have only a
18 minimal impact on its customers because many companies provide resold long distance
19 telecommunications services, and facilities-based providers are also available.

20 **Proposed Rates**

21 20. Staff indicates that the rates proposed by Reliance are for competitive services and
22 rates for competitive telecommunications services are generally not established according to rate-of-
23 return regulation.

24 21. Staff has determined that Reliance's fair value rate base ("FVRB") is zero. While
25 Staff considered the FVRB information submitted by Reliance, Staff determined that the FVRB
26 information should not be given substantial weight in its analysis.

27 22. As a reseller of services purchased from other telecommunications companies,
28 Reliance will have no market power and will have to compete with other providers to obtain

1 subscribers to its services. In light of this competitive market, Staff believes that Reliance's proposed
2 tariffs will be just and reasonable.

3 23. Staff has reviewed Reliance's proposed rates and determined that they are just and
4 reasonable.

5 24. Reliance's tariff indicates that it will not collect advance payments or deposits from its
6 resold long distance customers. However, Reliance's will utilize pre-paid calling services purchased
7 on its website by its customers. As such, in order to protect Arizona customers, Staff recommends
8 that Reliance be required to provide either a performance bond or irrevocable sight draft letter of
9 credit in the amount of \$10,000.

10 Regulatory Requirements

11 25. Commission rules require Reliance to file a tariff for each competitive service that
12 states the maximum rate as well as the effective (actual) price that will be charged for the service.
13 Under Arizona Administrative Code ("A.A.C.") R14-2-1109(A), the minimum rate for a service must
14 not be below the total service long-run incremental cost of providing the service. Any change to
15 Reliance's effective price for a service must comply with A.A.C. R14-2-1109, and any change to the
16 maximum rate for a service in Reliance's tariff must comply with A.A.C. R14-2-1110.

17 26. A.A.C. R14-2-1204(A) requires all telecommunications service providers that
18 interconnect to the public switched network to provide funding for the Arizona Universal Service
19 Fund ("AUSF"). A.A.C. R14-2-1204(B)(3)(a) requires new telecommunications service providers
20 that begin providing toll service after April 26, 1996, to pay AUSF charges as provided under A.A.C.
21 R14-2-1204(B)(2).

22 27. A.A.C. R14-2-1901 et seq. establish requirements to protect Arizona consumers from
23 unauthorized carrier changes ("slamming") and apply to each public service corporation providing
24 telecommunications services within the State of Arizona and over which the Commission has
25 jurisdiction.

26 28. A.A.C. R14-2-2001 et seq. establish requirements to protect Arizona consumers from
27 unauthorized carrier charges ("cramming") and apply to each public service corporation providing
28 telecommunications services within the State of Arizona and over which the Commission has

1 jurisdiction.

2 29. A.A.C. R14-2-1107 requires a competitive telecommunications service provider to file
3 an application for authorization with the Commission before it discontinues service; the rule also
4 establishes customer notice requirements and other requirements related to discontinuance of service.

5 **Competitive Services**

6 30. Staff states that there are alternatives to Reliance's services, the Company will have to
7 convince potential customers to purchase its services, and the Company has no ability to adversely
8 affect the interexchange service markets. As such, Staff recommends that the Company's proposed
9 services be classified as competitive.

10 **Staff's Recommendations**

11 31. Staff recommends approval of Reliance's Application and further recommends:

- 12
- 13 a. That Reliance be ordered to comply with all Commission rules, orders, and
14 other requirements relevant to the provision of intrastate telecommunications
15 service;
- 16 b. That Reliance be ordered to maintain its accounts and records as required by
17 the Commission;
- 18 c. That Reliance be ordered to file with the Commission all financial and other
19 reports that the Commission may require, in a form and at such times as the
20 Commission may designate;
- 21 d. That Reliance be ordered to maintain on file with the Commission all current
22 tariffs and rates and any service standards that the Commission may require;
- 23 e. That Reliance be ordered to comply with the Commission's rules and to
24 modify its tariffs to conform to those rules if it is determined that there is a
25 conflict between Reliance's tariffs and Commission rules;
- 26 f. That Reliance be ordered to cooperate with Commission investigations,
27 including but not limited to customer complaints;
- 28 g. That Reliance be ordered to participate in and contribute to the AUSF as
 required by the Commission;
- h. That Reliance be ordered to notify the Commission immediately upon changes
 to its name, address, or telephone number;

- 1 i. That Reliance's intrastate interexchange service offerings be classified as
2 competitive pursuant to A.A.C. R14-2-1108;
- 3 j. That the maximum rates for Reliance's services be the maximum rates
4 proposed by Reliance in its proposed tariffs;
- 5 k. That the minimum rates for Reliance's services be the total service long-run
6 incremental costs of providing those services, as set forth in A.A.C. R14-2-
7 1109;
- 8 l. If Reliance states only one rate for a service in its proposed tariff, that the rate
9 stated be the effective (actual) price to be charged for the service as well as the
10 service's maximum rate;
- 11 m. That Reliance's FVRB is zero;
- 12 n. That should Reliance request to discontinue and/or abandon its service area,
13 Reliance must provide notice to both the Commission and its customers, in
14 accordance with A.A.C. R-14-2-1107; and
- 15 o. That Reliance be ordered to do the following and that its CC&N be rendered
16 null and void, after due process, if it fails to do the following:
- 17 i. Reliance shall docket conforming tariffs for each service within its
18 CC&N within 365 days from the date of an Order in this matter or 30
19 days before providing service, whichever comes first.
- 20 ii. Reliance shall procure either a performance bond or an irrevocable
21 sight draft letter of credit equal to \$10,000.
- 22 iii. Reliance shall docket proof of the original performance bond or
23 irrevocable sight draft letter of credit with the Commission's Business
24 Office and copies of the performance bond or irrevocable sight draft
25 letter of credit with Docket Control, as a compliance item in this
26 docket, within 30 days of the effective date of a Decision in this matter.
27 The performance bond or irrevocable sight draft letter of credit must
28 remain in effect until further order of the Commission. The
Commission may draw on the performance bond or irrevocable sight
draft letter of credit, on behalf of, and for the sole benefit of, the
Company's customers, if the Commission finds, in its discretion, that
the Company is in default of its obligations arising from its Certificate.
The Commission may use the performance bond or irrevocable sight
draft letter of credit funds, as appropriate, to protect the Company's
customers and public interest and take any and all actions the
Commission deems necessary, in its discretion, including, but not
limited to, returning prepayments or deposits collected from the
Company's customers.

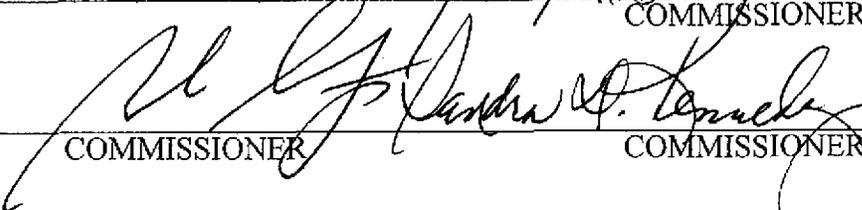
ORDER

IT IS THEREFORE ORDERED that the Application of Reliance Communications International, Inc., for a Certificate of Convenience and Necessity to provide competitive resold long distance telecommunications services in Arizona is hereby granted conditioned upon compliance with conditions set forth in Findings of Fact No. 31.

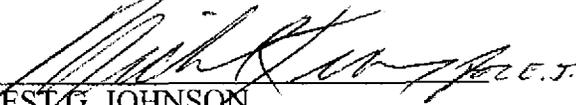
IT IS FURTHER ORDERED that if Reliance Communications International, Inc., fails to meet the conditions outlined in Findings of Fact No. 31(o) within the timeframes stated therein, the Certificate of Convenience and Necessity conditionally granted herein shall become null and void after due process.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

	
CHAIRMAN	COMMISSIONER
	
COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 6th day of August, 2009.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

1 SERVICE LIST FOR:

RELIANCE COMMUNICATIONS
INTERNATIONAL, INC.

2

3 DOCKET NO.:

T-20611A-08-0405

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