



BEFORE THE ARIZONA CORPORATION

JIM IRVIN  
COMMISSIONER - CHAIRMAN  
RENZ D. JENNINGS  
COMMISSIONER  
CARL J. KUNASEK  
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF )  
CONNECT AMERICA, INC. USING THE )  
FICTITIOUS NAME CONNECT US OF )  
DELAWARE FOR A CERTIFICATE OF )  
CONVENIENCE AND NECESSITY TO PROVIDE )  
COMPETITIVE INTERSTATE INTRASTATE )  
RESOLD TELECOMMUNICATIONS SERVICES )  
EXCEPT LOCAL EXCHANGE SERVICES. )

DOCKET NO. T-03497A-98-0009

DECISION NO. 61053

Arizona Corporation Commission  
**ORDER DOCKETED**

2000 06 18

DOCKETED BY

Open Meeting  
August 4 and 5, 1998  
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 January 15, 1998, ConnectAmerica, Inc. using the fictitious name Connect US of Delaware ("Connect America" or "Applicant") filed with the Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide resold telecommunications service in the State of Arizona.

2. In Decision No. 58926 (December 22, 1994), the Commission found that resold telecommunications providers ("resellers") were public service corporations subject to the jurisdiction of the Commission.

3. In Decision No. 59124 (June 23, 1995), the Commission adopted A.A.C. R14-2-1101 through R14-2-1115 to regulate resellers.

4. ConnectAmerica is a Delaware corporation which has been qualified to conduct business in Arizona since 1997.

5. ConnectAmerica is a switchless reseller which purchases telecommunications services from Sprint or WalTel.

1           6.       On June 2, 1998, the Commission's Utilities Division Staff ("Staff") filed a Staff Report.

2           7.       The Staff Report stated that ConnectAmerica provided unaudited financial statements for  
3 the quarter ended September 30, 1997, which indicated that it had a net loss of \$250,000 on sales of  
4 \$6,000,000 and reported negative retained earnings of \$89,000. Staff stated that since these financial  
5 statements indicate that Applicant did not generate enough revenue to cover its expenses, Staff has  
6 concerns about Applicant's ability to incur operating losses in the future and to repay customer  
7 prepayments, advances, and deposits. Accordingly, Staff recommended that pursuant to A.A.C. R14-2-  
8 1105 D, Applicant maintain for a minimum of one year, an escrow account equal to the total amount of  
9 any prepayments, advances and deposits that Applicant may collect from its customers as a condition of  
10 certification. In the alternative, Applicant could file a letter stating that it does not currently charge  
11 customers any prepayments, advances or deposits, and does not intend to do so in the future. If at some  
12 future date Applicant desired to charge customers any prepayments, advances or deposits, it must file  
13 information with Staff that demonstrates Applicant's financial viability. Staff would review the  
14 information and provide Applicant its decision concerning financial viability within 30 days of receipt  
15 of the information. Staff believes that if Applicant experiences financial difficulty, there should be  
16 minimal impact to its customers. Customers are able to dial another reseller or facilities-based provider,  
17 and may permanently switch to another company without forfeiting any prepayment, advance or deposit.

18           8.       The Staff Report stated that Applicant has no market power and the reasonableness of its  
19 rates would be evaluated in a market with numerous competitors.

20           9.       Staff recommended that:

21           (a)       Applicant's application for a Certificate should be approved subject to A.A.C.  
22 R14-2-1106.B;

23           (b)       Applicant's intrastate toll service offerings should be classified as competitive  
24 pursuant to A.A.C. R14-2-1108;

25           (c)       Applicant's competitive services should be priced at the effective rates set forth  
26 in Applicant's tariffs and the maximum rates for these services should be the maximum  
27 rates proposed by Applicant in its tariffs. The minimum rates for Applicant's competitive  
28 services should be Applicant's long run incremental costs of providing those services as  
set forth in A.A.C. R14-2-1109. Any future changes to the maximum rates in Applicant's  
tariffs must comply with A.A.C. R14-2-1110.

(d)       Applicant should be required to comply with the Commission's rules and modify  
its tariffs to conform with these rules, if it is determined that there is a conflict between

1 Applicant's tariffs and the Commission's rules; and

2 (c) The application may be approved without a hearing.

3 10. By Procedural Order dated June 5, 1998, the Commission set a deadline of July 6, 1998  
4 for filing exceptions to the Staff Report; requesting that a hearing be set; or requesting intervention as  
5 interested parties.

6 11. No exceptions were filed to the Staff Report, nor did any party request that a hearing be  
7 set, nor were any requests for intervention filed with Docket Control.

8 12. On June 18, 1998, Applicant filed a letter which indicated that Applicant has not and does  
9 not intend to charge customers any prepayments, advances or deposits.

10 **CONCLUSIONS OF LAW**

11 1. Applicant is a public service corporation within the meaning of Article XV of the Arizona  
12 Constitution and A.R.S. §§ 40-281 and 40-282.

13 2. The Commission has jurisdiction over Applicant and the subject matter of the application.

14 3. Notice of the application was given in accordance with the law.

15 4. As conditioned below, the provision of competitive interLATA/intraLATA reseller  
16 services in Arizona by Applicant is in the public interest.

17 5. With the conditions contained herein, Applicant is a fit and proper entity to receive a  
18 Certificate for providing competitive interLATA/intraLATA reseller services in Arizona.

19 6. Staff's recommendations in Findings of Fact No. 9 are reasonable and should be adopted.

20 **ORDER**

21 IT IS THEREFORE ORDERED that the application of ConnectAmerica, Inc. using the fictitious  
22 name Connect US of Delaware for a Certificate of Convenience and Necessity for authority to provide  
23 competitive interLATA/intraLATA resold telecommunications services except local exchange services  
24 shall be, and the same is, hereby granted, as limited below.

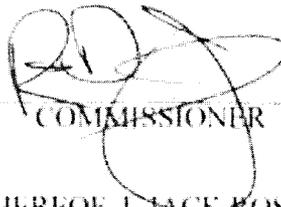
25 IT IS FURTHER ORDERED that ConnectAmerica, Inc. using the fictitious name Connect US  
26 of Delaware shall comply with the Staff recommendations set forth in Findings of Fact No. 9.

1 IT IS FURTHER ORDERED that ConnectAmerica, Inc. using the fictitious name Connect US  
2 of Delaware shall not be authorized to charge customers any prepayments, advances or deposits. If in  
3 the future ConnectAmerica, Inc. using the fictitious name Connect US of Delaware desires to initiate  
4 such charges, it must file information with the Commission that demonstrates the company's financial  
5 viability. Staff shall review the information and file its recommendation concerning financial viability  
6 within thirty days of receipt of the financial information, for Commission approval.

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

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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11 COMMISSIONER - CHAIRMAN

  
COMMISSIONER

  
COMMISSIONER

12 IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona  
13 Corporation Commission, have hereunto set my hand and caused the official seal  
14 of the Commission to be affixed at the Capitol, in the City of Phoenix, this  
15 6th day of August, 1998.

  
16 JACK ROSE  
EXECUTIVE SECRETARY

17  
18 DISSENT   
BMB/bbs

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SERVICE LIST FOR:

CONNECTAMERICA, INC. USING THE FICTTIOUS  
NAME CONNECT US OF DELAWARE

DOCKET NO.:

T-03497A-98-0009

Monica R. Borne  
Nowalsky, Bronston & Gothard  
3500 N. Causeway, Suite 1442  
Metairie, Louisiana 70002

Paul Bullis, Chief Counsel  
Legal Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

Director Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007

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