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BEFORE THE ARIZONA CORPORATION COMMISSION

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BOB STUMP  
Chairman  
GARY PIERCE  
Commissioner  
BRENDA BURNS  
Commissioner  
BOB BURNS  
Commissioner  
SUSAN BITTER SMITH  
Commissioner

Arizona Corporation Commission

DOCKETED

SEP 15 2014

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IN THE MATTER OF THE APPLICATION  
OF SPECTROTEL, INC. FOR APPROVAL  
OF AN ORDER RESCINDING ITS BOND  
REQUIREMENT.

DOCKET NO. T-20821A-14-0161

DECISION NO. 74754

ORDER

Open Meeting  
September 9 and 10, 2014  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On May 21, 2014, Spectrotel, Inc. ("Spectrotel" or "Applicant") submitted an Application requesting an order rescinding the \$135,000 performance bond requirement contained in Decision No. 73917 (June 27, 2013).

2. In its Application, Spectrotel states it provides resold and facilities-based local exchange, resold long distance and switched access telecommunications services to business customers in Arizona. Spectrotel does not service residential customers on Arizona.

3. In addition, the Applicant states that Spectrotel had a bond of \$135,000 in effect through May 31, 2014.

4. Staff has confirmed that the Arizona Corporation Commission Business Office is in possession of a bond in Spectrotel's name in the amount of \$135,000.

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1 **Background**

2 5. On June 27, 2013, in Decision No. 73917, the Commission granted Spectrotel a Certificate  
3 of Convenience and Necessity to provide facilities-based local exchange, resold local exchange, resold  
4 long distance and switched-access telecommunications services within the State of Arizona, provided  
5 Spectrotel complied with conditions outlined in the Decision. As a condition of approval, the  
6 Commission required Spectrotel to procure a performance bond or irrevocable sight draft letter of  
7 credit (“ISDLOC”) equal to \$135,000.

8 **Spectrotel’s Application**

9 6. In its Application to eliminate the performance bond or irrevocable sight draft Letter of  
10 ISDLOC requirement, Spectrotel cites Arizona Administrative Code (“A.A.C.”) R14-2-1105(d), which  
11 states that “[i]n appropriate circumstances, the Commission may require, as a precondition to  
12 certification, the procurement of a performance bond sufficient to cover any advances or deposits the  
13 telecommunications company may collect from its customers, or order that such advances or deposits  
14 be held in escrow or trust.”

15 7. Spectrotel believes that maintaining a performance bond is no longer necessary as it  
16 does not collect any deposits in Arizona and does not have any prepayment or advance payment  
17 policies. In addition, Spectrotel states that rescinding the bond/ISDLOC requirement will not alter  
18 the rates, terms or conditions of service for Arizona Spectrotel customers, will not adversely impact  
19 service and will put Spectrotel on “equal footing” with other Arizona Competitive local exchange  
20 carriers (“CLEC”)s as well as incumbent service providers such as CenturyLink. Finally, Spectrotel  
21 requests that as their bond expires on May 31, 2014, the bond requirement be suspended until this  
22 application is resolved so that Spectrotel may avoid incurring the cost of acquiring a new ISDLOC or  
23 bond shortly before the bond requirement is rescinded by the Commission.

24 **Complaints and Compliance**

25 8. The Consumer Services Section of the Utilities Division reports that there have been  
26 no complaints or opinions about Spectrotel for the period of January 1, 2011 to May 30, 2014.  
27 According to the Corporations Division, Spectrotel is in good standing. The Compliance Section  
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1 reports that Spectrotel is currently out of compliance with Decision No. 73917 due to its performance  
2 bond having expired on May 22, 2014 and no replacement has been received from Spectrotel.

3 **Staff Recommendations**

4 9. In allowing its bond to expire prior to the Commission relieving Spectrotel of the  
5 bond requirement, the Applicant is out of compliance with Decision No. 73917. Allowing a company  
6 to be relieved of the bond requirement while that company is out of compliance with Commission  
7 requirements does not provide for a "level playing field" amongst other Arizona CLECs or incumbent  
8 service providers who have kept their bond in effect while the Commission considers the request to  
9 rescind the bond or ISDLOC requirement.

10 10. Staff therefore recommends that the Commission deny Spectrotel's request for a  
11 rescission of its bond requirement.

12 11. Staff further recommends the Commission order the Applicant to procure a new bond  
13 in the amount of \$135,000 and keep it current until December 31, 2015. If during that period of time  
14 Spectrotel is in compliance with all Commission requirements, Staff recommends that the  
15 requirements be rescinded, effective January 1, 2016, with no further order of the Commission.

16 12. However, the Commission has relieved telecommunications providers of the  
17 obligation to maintain a performance bond or ISDLOC. Thus, in the alternative, should the  
18 Commission decide to relieve Spectrotel of this requirement, Staff recommends that Spectrotel be put  
19 on notice that any future events of non-compliance of Commission requirements will result in the  
20 Commission initiating Show Cause action against Spectrotel.

21 13. Should the Commission grant this application, Spectrotel indicates in its Application  
22 that the performance bond should be released and returned to the following name and address:

23 John Dempsey, Finance Manager  
24 Spectrotel, Inc.  
25 3535 State Highway 66, Ste 7, Bldg 7  
Neptune, NJ 07753

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CONCLUSIONS OF LAW

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1. Spectrotel, Inc. is a public service corporation within the meaning of Article XV of the Arizona Constitution.

2. The Commission has jurisdiction over Spectrotel, Inc. and the subject matter in this filing.

3. The Commission, having reviewed the filing and Staff's Memorandum dated August 22, 2014, concludes that it is in the public interest to approve the Spectrotel, Inc. Application as proposed and discussed herein.

ORDER

IT IS THEREFORE ORDERED that the Application of Spectrotel, Inc. to terminate the performance bond or irrevocable sight draft letter of credit requirement contained in Decision No. 73917 be and hereby is granted.

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1 IT IS FURTHER ORDERED that the Spectrotel bond be returned to the following name  
2 and address as provided by the applicant:

3 John Dempsey, Finance Manager  
4 Spectrotel, Inc.  
5 3535 State Highway 66, Ste 7, Bldg 7  
6 Neptune, NJ 07753

7 IT IS FURTHER ORDERED that Spectrotel, Inc. is hereby put on notice that any future  
8 events of non-compliance of the Commission requirements may result in the Commission initiating  
9 action against Spectrotel, Inc.

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

11 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

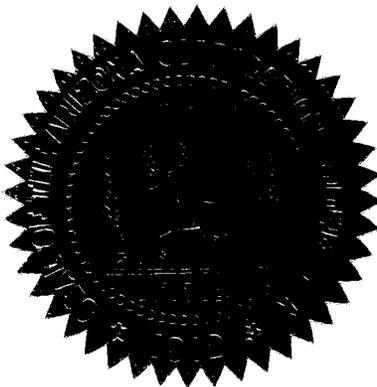
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13 CHAIRMAN

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13 COMMISSIONER

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15 COMMISSIONER



17 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
18 Director of the Arizona Corporation Commission, have  
19 hereunto, set my hand and caused the official seal of this  
20 Commission to be affixed at the Capitol, in the City of  
21 Phoenix, this 15<sup>th</sup> day of September, 2014.

21   
22 JODI JERICH  
23 EXECUTIVE DIRECTOR

24 DISSENT: \_\_\_\_\_

25 DISSENT: \_\_\_\_\_

26 SMO:MAC:sms\BH

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1 SERVICE LIST FOR: Spectrotel, Inc.  
2 DOCKET NO. T-20821A-14-0161

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18 Ms. Lyn Farmer  
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