

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



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JACK ROSE  
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

DATE: AUGUST 28, 1998

DOCKET NO.: T-03052A-95-0490

TO ALL PARTIES:

Enclosed please find the recommendation of Hearing Officer Jane Rodda. The recommendation has been filed in the form of an Order on:

GLOBAL TELEMEDIA INTERNATIONAL, INC.  
(CC&N/RESELLER)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Hearing Officer by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

SEPTEMBER 8, 1998

The enclosed is NOT an order of the Commission, but a recommendation of the Hearing Officer to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

SEPTEMBER 15, 1998 and SEPTEMBER 16, 1998

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.

  
JACK ROSE  
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JIM IRVIN  
3 COMMISSIONER - CHAIRMAN  
4 RENZ D. JENNINGS  
5 COMMISSIONER  
6 CARL J. KUNASEK  
7 COMMISSIONER

8 IN THE MATTER OF THE APPLICATION OF )  
9 GLOBAL TELEMEDIA INTERNATIONAL, INC. )  
10 FOR A CERTIFICATE OF CONVENIENCE AND )  
11 NECESSITY TO PROVIDE COMPETITIVE )  
12 INTERLATA/INTRALATA RESOLD )  
13 TELECOMMUNICATIONS SERVICES EXCEPT )  
14 LOCAL EXCHANGE SERVICES. )

DOCKET NO. T-03052A-95-0490

DECISION NO. \_\_\_\_\_

**ORDER**

15 Open Meeting  
16 August 25 & 26, 1998  
17 Phoenix, Arizona

18 **BY THE COMMISSION:**

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

21 **FINDINGS OF FACT**

22 1. On January 25, 1996, Global Telemedia International, Inc. ("Applicant") filed with the  
23 Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide  
24 resold telecommunications service in the State of Arizona.<sup>1</sup>

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

28 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. Applicant is a publicly traded corporation domiciled in Florida. Applicant has not  
provided evidence that it is authorized to do business in Arizona.

5. Applicant is not currently providing service in Arizona, but intends to resell the services

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<sup>1</sup> Applicant originally filed an application on December 1, 1995. The 1996 application was filed in the same docket as the previous application.

1 of Allnet, U.S. Sprint and Wiltel after it receives Commission approval.

2 6. On November 27, 1996, the Commission's Utilities Division Staff ("Staff") filed a Staff  
3 Report.

4 7. The Staff Report indicated that Applicant provided audited financial statements which  
5 indicated that it had a net loss of \$3,322,517 for the year ended 1994 and negative retained earnings of  
6 \$11.5 million at the end of the period. Staff has concerns about Applicant's ability to incur operating  
7 losses in the future and to repay customer prepayments, advances, and deposits. Accordingly, Staff  
8 recommended that pursuant to A.A.C. R14-2-1105.D, Applicant maintain for a minimum of one year,  
9 an escrow account equal to the total amount of any prepayments, advances and deposits that Applicant  
10 may collect from its customers as a condition of certification. In the alternative, Applicant could file a  
11 letter stating that it does not currently charge customers any prepayments, advances or deposits, and does  
12 not intend to do so in the future. If at some future date Applicant desired to charge customers any  
13 prepayments, advances or deposits, it must file information with Staff that demonstrates Applicant's  
14 financial viability. Staff would review the information and provide Applicant its decision concerning  
15 financial viability within 30 days of receipt of the information. Staff believes that if Applicant  
16 experiences financial difficulty, there should be minimal impact to its customers. Customers are able to  
17 dial another reseller or facilities-based provider, and may permanently switch to another company  
18 without forfeiting any prepayment, advance or deposit.

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

21 9. Staff recommended that:

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

24 (b) Applicant's intrastate toll service offerings should be classified as competitive  
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;

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

3 (e) The application may be approved without a hearing.

4 10. By Procedural Order dated December 31, 1996, the Commission set a deadline of  
5 February 14, 1997 for filing exceptions to the Staff Report; providing notice to interested parties;  
6 requesting that a hearing be set; or requesting intervention as interested parties.

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

9 12. On June 11, 1997, Applicant filed a letter which indicated that Applicant has not and does  
10 not intend to charge customers any prepayments, advances or deposits.

11 13. On February 11, 1998, the Commission notified Applicant that the record does not  
12 indicate that Applicant is authorized to do business in Arizona and that its application could be denied  
13 unless it provided such evidence by March 13, 1998.

14 14. No proof of such authority has been filed with the Commission.

15 **CONCLUSIONS OF LAW**

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

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

19 3. Notice of the application was not given in accordance with the law.

20 4. As Applicant has not provided notice as ordered and has failed to file its annual reports  
21 with the Commission, it is not a fit and proper entity to receive a Certificate for providing competitive  
22 interLATA/intraLATA reseller services in Arizona.

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**ORDER**

IT IS THEREFORE ORDERED that the application of Global Telemedia International, Inc. for a Certificate of Convenience and Necessity for authority to provide competitive interLATA/intraLATA resold telecommunications services except local exchange services shall be, and the same is, hereby denied, and the Docket closed.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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COMMISSIONER - CHAIRMAN                      COMMISSIONER                      COMMISSIONER

IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary 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 \_\_\_\_\_ day of \_\_\_\_\_, 1998.

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JACK ROSE  
EXECUTIVE SECRETARY

DISSENT \_\_\_\_\_  
JR:dap

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SERVICE LIST FOR:

GLOBAL TELEMEDIA INTERNATIONAL, INC.

DOCKET NO.:

T-03052A-95-0490

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