

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



0000158764

JACK ROSE
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

DATE: OCTOBER 16, 1998

DOCKET NO.: T-03593A-98-0384

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:

FIRSTWORLD COMMUNICATIONS, 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:

OCTOBER 26, 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:

OCTOBER 27, 1998 and OCTOBER 28, 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

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION)
OF FIRSTWORLD COMMUNICATIONS, INC.)
FOR A CERTIFICATE OF CONVENIENCE)
AND NECESSITY TO PROVIDE)
COMPETITIVE INTERLATA/INTRALATA)
RESOLD TELECOMMUNICATIONS)
SERVICES EXCEPT LOCAL EXCHANGE)
SERVICES.)

DOCKET NO. T-03593A-98-0384

DECISION NO. _____

ORDER

Open Meeting
October 27 and 28, 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 July 13, 1998, FirstWorld Communications, Inc. ("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. Applicant is a Delaware corporation that has been qualified to do business in Arizona since 1998.

5. Applicant is a switchless reseller that purchases telecommunications services.

6. On August 11, 1998, the Commission's Utilities Division Staff ("Staff") filed a Staff

1 Report.

2 7. The Staff Report stated that Applicant initiated operations in 1993 as SpectraNet
3 International. Applicant provided un-audited financial statements for the six-month period ended,
4 March 31, 1998, which indicated a net loss of \$5.9 million and negative retained earnings of \$23
5 million.

6 8. Staff stated that the Applicant possessed \$1.7 million of cash on hand and \$32 million
7 in assets and possesses the ability to raise new equity capital and appeared to possess adequate
8 financial resources to implement its business plan in Arizona.

9 9. In order to protect the public interest, it is appropriate to require that if Applicant desires
10 to receive prepayments, advances or deposits from its customers, it should establish an escrow
11 account as described below.

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

14 11. Staff recommended that:

- 15 (a) Applicant's application for a Certificate should be approved subject to A.A.C. R14-2-
16 1106.B;
- 17 (b) Applicant's intrastate toll service offerings should be classified as competitive
18 pursuant to A.A.C. R14-2-1108;
- 19 (c) Applicant's competitive services should be priced at the effective rates set forth in
20 Applicant's tariffs and the maximum rates for these services should be the maximum
21 rates proposed by Applicant in its tariffs. The minimum rates for Applicant's
22 competitive services should be Applicant's long run incremental costs of providing
23 those services as set forth in A.A.C. R14-2-1109. Any future changes to the
24 maximum rates in Applicant's tariffs must comply with A.A.C. R14-2-1110;
- 25 (d) Applicant should be required to comply with the Commission's rules and modify
26 its tariffs to conform with these rules, if it is determined that there is a conflict
27 between Applicant's tariffs and the Commission's rules; and
- 28 (e) The application may be approved without a hearing.

12 12. By Procedural Order dated August 27, 1998, the Commission set a deadline of October
13 9, 1998 for filing exceptions to the Staff Report; requesting that a hearing be set; or requesting
14 intervention as interested parties.

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

CONCLUSIONS OF LAW

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

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

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

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

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

11 6. Staff's recommendations in Findings of Fact No. 11 are reasonable and should be
12 adopted.

13 **ORDER**

14 IT IS THEREFORE ORDERED that the application of FirstWorld Communications, Inc. for
15 a Certificate of Convenience and Necessity for authority to provide competitive
16 interLATA/intraLATA resold telecommunications services except local exchange services shall be,
17 and the same is, hereby granted, as limited below.

18 IT IS FURTHER ORDERED that FirstWorld Communications, Inc, shall comply with the
19 Staff recommendations set forth in Findings of Fact No. 11.

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SERVICE LIST FOR: FIRSTWORLD COMMUNICATIONS, INC.

DOCKET NO. T-03593A-98-0384

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