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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION OF )	
ALTICOMM, INC. FOR A CERTIFICATE OF )	CASE NO. GNR-T-03-6
PUBLIC CONVENIENCE AND NECESSITY TO )	
PROVIDE LOCAL EXCHANGE )	COMMENTS OF THE
TELECOMMUNICATION SERVICES. )	COMMISSION STAFF
)	
)	
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**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Lisa D. Nordstrom, Deputy Attorney General, and in response to Order No. 29338 issued on February 20, 2002, submits the following comments.

On January 22, 2003, Alticomm, Inc. ("Alticomm" or "Company") filed an Application for a Certificate of Public Convenience and Necessity to provide resold basic local exchange service in Idaho within geographic areas served by Qwest and Verizon. Located in Canton, Massachusetts, Alticomm has been operating in Massachusetts and Rhode Island since 1998. The Company maintains a Certificate of Authority with the Idaho Secretary of State and has a price list on file with the Idaho Public Utilities Commission as an interexchange carrier.

Alticomm intends to offer resold local exchange services and will not own or control any equipment, facilities, or property in Idaho. The Company's Application stated that it has initiated resale agreement negotiations with Qwest and Verizon. Alticomm anticipates that it can begin providing service to Idaho residential and business customers within 90 days of certification.

Because it does not request advance deposits from its customers, Alticomm stated that it is not required to secure and maintain an escrow account or security bond for this purpose. The Company does not intend to provide any prepaid local exchange telephone service in Idaho. The Application stated that the Company has reviewed the Commission rules and agrees to comply with all rules applicable to the provision of resold local exchange service.

## **STAFF DISCUSSION**

Staff is very concerned about the financial health of Alticomm. Alticomm has been incorporated under the laws of the state of Massachusetts since March 27, 1998 as a privately-held corporation. Alticomm's unaudited income statements are a consolidation of two "asset acquisition" companies and Alticomm's previous entity, Eastern Telephone. The statement shows no revenues or assets for Alticomm itself. The consolidated companies' liabilities increased more than 200% in 2001 and more than 150% in 2002. In the first nine months of 2002 assets increased more than 400%, yet liabilities still exceeded assets by 66%. The Acid Test (cash, receivables and marketable securities over current liabilities) is .147 to 1, whereas a ration of 1:1 or higher is desirable. Alticomm's losses and negative retained earnings are more than 1.45 times the value of its total assets and exceed \$4 million.

In a March 11, 2003 response to Staff's questions regarding its finances, Alticomm claimed an existing line of credit sufficient to provide "competitive, high quality service on an ongoing basis without putting customers at risk." A copy of this line of credit note was submitted under proprietary cover authorizing a revolving line of credit equal to about one-third of the Company's profits for the nine months of 2002, secured by virtually all of the Company's equipment, inventory, deposits and contracts. Additionally, Alticomm reported that it is experiencing increased expenses associated with its move to become certificated on a nationwide basis.

While Alticomm made a good presentation in its Application and met all of the Commission's procedural requirements, the Company's financial picture is problematic and, Staff believes, critical. Although Alticomm will not require deposits or advance payments, the Company will bill recurring charges in advance of the monthly cycle for which the charges apply, as is common practice in the local service industry. If Alticomm becomes unable to meet its financial commitments, the customers stand to be harmed by the loss amounts paid in advance of receiving service as well as the time, cost, and inconvenience of replacing their service. The

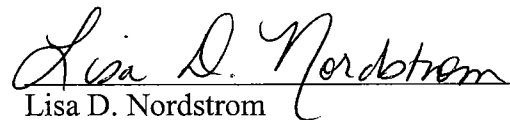
revolving line of credit would not be sufficient to repay all customers if Alticomm were to fail, and Idaho customers likely would not be the first in line to be reimbursed.

Staff believes the Commission should not issue certificates to companies that may present substantial risks to Idaho customers. Staff is also concerned that Alticomm has not yet paid the 2003 regulatory fee due on May 15<sup>th</sup> of this year. As of this date, Alticomm now owes \$50.76 with interest for the first half of 2003.

#### **STAFF RECOMMENDATION**

Staff does not recommend approval of this Application at this time but encourages Alticomm to reapply when its financial condition improves.

Respectively submitted this 16<sup>th</sup> day of October 2003.



Lisa D. Nordstrom  
Deputy Attorney General

Technical Staff: Birdelle Brown

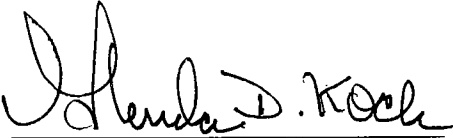
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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16<sup>th</sup> DAY OF OCTOBER 2003, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. GNR-T-03-6, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE