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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION  OF INTELLICALL OPERATOR SERVICES,  INC. FOR A CERTIFI­CATE OF PUBLIC CONVENIENCE AND NECESSITY TO  PROVIDE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES. | )  )  )  )  )  )  )  ) | CASE NO. IOS-T-98-1  COMMENTS OF THE  COMMISSIONS STAFF |

COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, in response to Order

No. 27739, the Notice of Application and Notice of Modified Procedure in Case

No. IOS-T-98-1 issued September 17, 1998, submits the following comments.

Intellicall Operator Services, Inc. (IOS) filed an Application on April 17, 1998 for a Certificate of Public Convenience and Necessity to provide local exchange service in the state of Idaho.  IOS proposes to resell local exchange telecommunications services to small and medium-sized business and residential customers.  Specifically, IOS plans to offer prepaid local service, operator-assisted services, directory assistance and 911 emergency services.  IOS will sell prepaid local telecommunications services to a “growing diversity of customers who benefit from convenient, optionally short-term prepaid cash-basis services,” including transient users and consumers who cannot meet local exchange carriers’ credit standards.  For example, prepaid local-only service will be provided to residential customers for $30.00 and to business customers for $50.00 per month.  IOS intends to offer these services in the U S WEST exchanges and is negotiating with U S WEST for wholesale services, interconnection, access to unbundled network elements, number portability and “other elements necessary for the provision of local exchange services.”

Intellicall Operator Services, Inc., a Delaware corporation, is a wholly-owned subsidiary of ILD Teleservices, Inc. (ILD), also a privately-held Delaware corporation.  ILD Teleservices, Inc. is majority-owned by Intellicall, Inc., a publicly-held Delaware Corporation.  The notes to the consolidated financial statements explain that ILD began operations in 1995 when Intellicall transferred its ownership in its wholly-owned subsidiary, Intellicall Operator Services, Inc., and Long Distance Resale, a division of Intellicall, to ILD.  ILD acquired the operator services of WorldCom, with an exclusive contract to provide outsourced operator and billing services, in 1997.  Also in 1997, ILD acquired Interlink Telecommunications and the prepaid calling business of Intellicall Inc.

ILD Telecommunications, Inc. provides operator-assisted calls and long distance services through its own call centers (San Antonio and Las Vegas) and switch-based network (Los Angeles and Dallas).  It is authorized to provide operator and interexchange services in approximately 40 states and currently provides local services in Georgia, Tennessee, Alabama, Kentucky and Florida on a prepaid basis.  Applications are pending for CLEC authority in Alaska, Arizona, California, Connecticut, Idaho, Louisiana, North Carolina, South Carolina, Utah and Washington.

IOS has been tariffed as an operator service provider in Idaho since November 1992, and was granted an exemption from our requirement (IDAPA 31.51.01) that zero-minus calls must default to the LEC on March 21, 1994.  IOS has not provided the semi-annual update of information required each February 1 and August 1 by these rules; however, pursuant to this Application, the Company filed an update on May 19, 1998.  Consumer Staff has received only one complaint in 1997 regarding high rates.

ILD’s audited consolidated financial statement was submitted that covers the period from inception (May 10, 1996) to December 1996 and for the 1997 period ending September 30.  The statement reports, for nine months in 1997, $34 million in assets, offset by $31 million in liabilities and $3 million in stockholders equity.  The Company reports a net revenue of $395,000 on gross sales of $30 million for the nine-month period ending September 30, 1997.  In a letter dated May 19, 1998, ILD stated “its intent to guarantee for a period of twelve (12) months from the date of the certification by the Commission, the full and timely discharge of IOS’s financial obligations to its local exchange customers in the State of Idaho.”

IOS has submitted tariffs for local service.  Staff and the consultant for IOS have worked on various passages in the tariffs that Staff felt were not in compliance with Idaho Code and the Commission’s rules.  The Company has agreed to make the required changes, but Staff has not yet received a final corrected version of the tariffs. IOS requested in its Application “that the Commission approve the proposed initial tariff effective as of the date of the order granting approval of IOS’s application for a Certificate of Public Convenience and Necessity.”  Staff recommends that approval of the Application not be granted until the tariffs have been corrected.

IOS asserts in its Application that it will generally not require advance deposits, “although it retains its right to do so under compelling circumstances.”  However, in its tariffs, IOS includes language permitting deposits and advance payments, presumably as a contingent to enable the Company to require deposits under those “compelling circumstances.”  IOS agrees to submit a signed copy of an escrow  account with a bonded escrow agent as required in the Commission’s Procedural Order No. 26665 only if it should decide to collect deposits.  Staff believes a Certificate should not be granted until IOS brings itself into compliance with the Commission’s Procedural Order.  The Company can comply in one of two ways:  1) It can remove the deposit provisions from its tariff until it decides to open an escrow account and exercise its deposit options, or 2) it can leave the deposit language in the tariff and submit a signed copy of an escrow account as required by Order No. 26665.

With the exceptions discussed above, IOS has filed all of the information required by this Commission to receive a Certificate of Public Convenience and Necessity.  Staff recommends that this Application not be approved until 1) resolution of the escrow bond requirement and 2) the satisfactory completion of a corrected tariff.

DATED  at Boise, Idaho, this            day of October 1998.

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Weldon B. Stutzman

Deputy Attorney General

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