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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE APPLICATION OF)

C-SYSTEMS, INC. FOR A CERTIFICATE OF )CASE  NO.  GNR-T-98-10

PUBLIC CONVENIENCE AND NECESSITY)

TO PROVIDE LOCAL EXCHANGE)

TELECOMMUNICATIONS SERVICE.)COMMENTS OF THE

)COMMISSION STAFF

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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. 27662, the Notice of Application and Notice of Modified Procedure in Case No. GNR-T-98-10 issued July 31, 1998, submits the following comments.

BACKGROUND

On June 15, 1998, the Commission received an Application from C-Systems, Inc.

(C-Systems) for a Certificate of Public Convenience and Necessity (CPCN) to provide local exchange telecommunications services within Idaho.  C-Systems’ Application stated that it desired to provide service in the areas currently served by U S WEST and GTE.

Service will be provided through facilities owned by C-Systems and resale of services provided by the incumbent local exchange carrier.  C-Systems indicated in its Application it would provide digital subscriber services and voice grade telecommunications services.  C-Systems indicated it had not yet initiated negotiations with incumbent local exchange carriers for interconnection agreements.

STAFF FINDINGS

Staff has reviewed the information provided by C-Systems in its Application and believes it satisfies the requirements of the Commission’s Rule of Procedure 111, IDAPA 31.01.01.111, and Procedural Order No. 26665 issued November 7, 1996, which sets out the necessary information to be included with an Application for a Certificate.

C-Systems, headquartered in Coeur d’ Alene, is an Idaho corporation.  It was originally incorporated under the name Netlink, Inc. in June of 1995, but changed to C-Systems on December 31, 1997.  The Application included an unaudited Balance Sheet and Income Statement for 1997.  The Company claimed a net income of approximately $23,000 on slightly more than $900,000 in income for 1997.

Staff is concerned that the Company is too young to have established a significant financial track record and recommends the Commission require an appropriate surety arrangement.  Staff suggests that C-Systems be required to post a $5,000 bond as a condition precedent to its receiving a Certificate of Public Convenience and Necessity.  In addition,

C-Systems should be required to maintain a bond level at no less than the total for one month’s charges from all of its telecommunications customers.  The Company will report to the Commission by the 10th day of each month identifying the total amount of monthly charges incurred by its telecommunications customers in the preceding month and providing evidence of any increase in bond level, if required.  C-Systems could petition for a review and reconsideration of the foregoing conditions after one full year of operation as a competitive provider of telecommunications services in the state of Idaho with the submittal of revised financial information including current detailed balance sheets and a detailed income statement reflecting current and prior year results of operations.

C-Systems has primarily been providing Internet service, and has local dial-up service in Kootenai County, Sandpoint, St. Maries, Silver Valley, Bonners Ferry, Spokane, Lewiston and Boise.  It provides a number of data communications services to its customers, using its own facilities and those it leases from the incumbent telecommunications companies.  Staff believes this background should provide sufficient technical expertise for a company providing the range of telecommunications services indicated in the Company’s Application.

C-Systems specifically indicated in its Application it will comply with all Commission rules.  It has provided an illustrative tariff with its Application that demonstrates an understanding of tariffing requirements and processes.

STAFF RECOMMENDATION

Staff recommends that, subject to the provision of a bond as identified above, C-Systems be granted a Certificate of Public Convenience and Necessity to provide local exchange telecommunications services within the service territories of U S WEST and GTE.

DATED  at Boise, Idaho, this            day of August 1998

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Weldon B. Stutzman

Deputy Attorney General

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