

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of application of) Application No. C-792
Payline Systems, Inc., Portland,)
Oregon, who seeks a Certificate)
of Public Convenience and Necessity) DENIED
to operate as a reseller of)
telecommunications services within)
the State of Nebraska.) Entered: March 6, 1990

OPINION AND FINDINGS

BY THE COMMISSION:

By its application filed November 20, 1989, Payline Systems Inc., of Portland Oregon, (Payline) seeks authority to operate as a reseller of telecommunications services within the State of Nebraska.

Notice of the filing of the application was published pursuant to the provision of the Commission's Rules and Regulations. No protest to the application was filed.

Pursuant to notice required by law, public hearing was held on the application on February 13, 1990. Late filed exhibits were received on February 19, 1990.

Upon consideration of the application, the evidence adduced at the hearing and being fully advised, the Commission is of the opinion and finds that:

1. Applicant is a Oregon corporation with its principal place of business at 921 S.W. Washington Street, Suite 250, Portland, Oregon 97205.

2. Applicant seeks a Certificate of Public Convenience and Necessity to furnish intrastate telecommunications service as a common carrier both interLATA and intraLATA. Applicant proposed to offer 24 hour originating and terminating intrastate operator assisted calls from locations serving the transient public.

3. Woody Hennessey, comptroller, testified for applicant: He has worked for Payline the past two and one half years. Payline started in the pay phone business in 1985 and now is in the operator service business. Payline has a digital switch office with 36 operator stations. Payline employees 80 full and part time employees and provides operator services to 20,000 rooms or phones currently. Payline presently provides service to hotels, hospitals and pay phones by installing dialers which automatically dial all the necessary numbers to access the switch. All calls are branded "Oasis", Payline's registered trademark. Emergency procedures are established. Callers can be patched to the carrier of one's choice; however, the point of

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access for that carrier would probably be from Portland. Payline's rates are AT&T's day time rates. Payline allows the premise owner to add a surcharge.

4. A review of Payline's financial reports reveal that it experienced net losses of \$446,847 in 1987, \$326,979 in 1988, \$1,109,918 in 1989. Since inception, the Company has incurred net losses and had an accumulated deficit of \$2,475,680 as of July 31, 1989. As noted in the Touche Ross Independent Auditor's report, the company has incurred substantial losses and had has current liabilities in excess of current assets and a deficiency in assets. On July 31, 1989, its total stockholders' equity was a deficit of \$2,475,680.

5. In 1989, Payline's long distance revenues were \$2,951,940 from operator services compared to \$3,452,252 in 1988. This \$500,312 represents a substantial decrease in revenue from the preceding year. Mr. Hennessey testified that the decrease was caused by a temporary service problem which has now been rectified.

6. Applicant has recently offered a debenture which offers \$1,750,000 in aggregate principal amount of 8% Convertible Sinking Fund Debentures due 1996. The prospectus regarding the debenture (exhibit 4) stated that the offer involved a high degree of risk, and included a lengthy recitation of risks which troubles this Commission. Mr. Hennessey testified that some of the debenture money was used for operating expenses, line costs and site commissions that were in arrears.

7. Applicant currently has three major customers. Mr. Hennessey testified that Payline plans a marketing effort in Nebraska.

8. The Commission finds that Mr. Hennessey was a well informed witness and was knowledgeable in both the financial and technical areas of the company enabling the Commission to get answers to all their concerns, however, based upon the evidence of operating losses, deficit in net assets, negative operating ratio, and the use of the debenture money for operating expenses the Commission finds that applicant does not possess the necessary financial resources to provide the proposed service. The application should be denied.

ORDERED

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-792 be and it is hereby denied.

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MADE AND ENTERED at Lincoln, Nebraska this 6th day of March, 1990.

NEBRASKA PUBLIC SERVICE COMMISSION

Daniel G. Urwiller
Chairman

COMMISSIONERS CONCURRING:

Duane D. Gay
//s//Frank E. Landis, Jr.
//s//James Munnelly
//s//Eric Rasmussen
//s//Daniel G. Urwiller

ATTEST:

D. J. R. King
Executive Director