

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application)	Application No. C-964
of WorldTel Services, Inc., Mis-)	
sion Viejo, California which seeks)	
a Certificate of Public Convenience)	GRANTED
and Necessity to operate as a re-)	
seller of interexchange telecom-)	
munications services within the)	
State of Nebraska.)	
		Entered: March 9, 1993

APPEARANCES

Jeffrey M. Davis, Chief Fin. Officer
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PRELIMINARY MATTERS

This matter comes before the Commission upon application of WorldTel Services, Inc. ("WorldTel"), a California corporation seeking authority to provide intrastate interLATA and intraLATA interexchange telecommunications resale services in Nebraska. The Applicant's business address is noted above and its registered agent in Nebraska is CSC Lawyers Incorporating Service, 1225 "L" Street, Lincoln, Nebraska, 68508.

The Omaha Daily Record published notice of WorldTel's application November 19, 1992. No protests to the application were received. Hearing was held in the Commission Hearing Room, Lincoln, Nebraska with appearances as shown January 19, 1993. Commissioner Gay chaired the proceeding.

BY THE COMMISSION

O P I N I O N A N D F I N D I N G S

Upon consideration of the application, the governing statutes and rules¹, the evidence adduced at the hearing, and being fully informed, the Commission is of the opinion and finds:

¹Interexchange reseller applications are governed by Neb. Rev. Stats. 75-604 and 86-805 (1990 and 1987 Reissues, respectively) and Title 291 Neb. Admin. Regs. Ch. 5, Rule 003.12.

Nebraska was divided into three Local Access Transport Areas (LATAs) as a result of the terms of the Modified Final Judgement (MFJ) issued in the AT&T divestiture case. United States v. American Telephone & Telegraph Co., 552 F.Supp. 131 (D.D.C. 1982), aff'd sub nom., California v. United States, 460 U.S. 1001 (1983) and United States v. American Telephone & Telegraph Co., 569 F.Supp. 990 (D.D.C. 1983) aff'd sub nom., California v. United States, 460 U.S. 1001 (1983).

While Neb. Rev. Stat. 75-604, by its language, refers to local exchange service, the Nebraska Supreme Court in Northwestern Bell Telephone v. Consolidated Telephone Co., 180 Neb. 268, 142 N.W.2d 324 (1966) held that long distance service is also subject to the provisions of the statute. This was recognized by the Legislature in L.B. 835 (LAWS 1986) because interexchange services (which include resellers) in Sec. 86-805 are referenced to in Sec. 75-604. For this reason, the Commission distinguishes between intraLATA and interLATA resale when deciding reseller applications.

The Applicant's witness, Jeffrey M. Davis, testified, and the pleadings reflect, that the Applicant seeks both interLATA and intraLATA authority. The filed application, upon which the Omaha DAILY RECORD notice was based, does not seek authority to provide Alternate Operator Service (AOS). We observe the Commission has consistently held an application for reseller authority does not include AOS unless specifically petitioned for in the application.² At the hearing, WorldTel's pre-marked exhibits A through I were admitted into evidence. These exhibits include the company's articles of incorporation, certificate to do business in Nebraska as a foreign-domiciled corporation, financial documents, and a proposed tariff.

Davis is WorldTel's Chief Financial Officer and Secretary. He has worked for WorldTel for two years. Prior to joining the Applicant, Davis worked for Pacific Telesis' cellular division and before that he was employed by Peat Marwick. Davis is a certified public accountant in California. He graduated from UCLA with a degree in economics.

WorldTel was incorporated in California in 1983 under the name "Business Phone Rentals, Inc." The company changed its name to

²We note that a late-filed amendment to add AOS to the application is an inadequate solution; the previously published notice of the application would not accurately reflect the authority sought in the application.

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WorldTel in 1992 and the pre-filed exhibit reflects the company amended the articles of incorporation. WorldTel is a privately held corporation and is not affiliated with any holding company. Its corporate officers are Ken Lipinski (CEO), Davis, John Janis (Executive Vice President), and Steve Olsen (Vice President, Operations). Paul Annik Weiller of Geneva, Switzerland is the company's primary stockholder.

Business Phone Rentals, Inc. began in 1983 to lease and finance telephone equipment. In 1990, the company started a telecommunications consulting business. It analyzed its clients' long distance telephone bills to reduce their expenses. One such service (still in effect at WorldTel) was to enable a client to enroll as a customer of AT&T in a multi-location billing plan. Such plans offer lower rates and interstate discounts not otherwise available. WorldTel, as the predecessor corporation, now intends to expand to include interstate and intrastate long distance reseller services.

If the Commission approves WorldTel's application, the company will resell inbound and outbound long distance services and directory assistance service as a non-facilities based (switchless) reseller of interexchange services. AT&T and WilTel will serve as the underlying long distance carriers. The company will offer the AT&T Software Defined Network (SDN). WorldTel also offers calling card services, dedicated line service, and several versions of an 800 number service. All the services will be offered on a statewide basis. There is no plan to construct facilities in Nebraska. The Applicant does not require advance payments or customer deposits.

WorldTel currently has approximately 10,000 customers aggregated through AT&T. They are not "reseller" customers, but instead purchase the service earlier described. The gist of this application is that WorldTel desires to stop being an aggregator and to start provisioning subscribers, bill them, collect the fees, and generate accounts receivable. Davis testified WorldTel will do its billing through the Cincinnati Bell Information Services billing organization. WorldTel intends to target small business users in Nebraska. Davis described a "small" business as one with long distance bills of approximately \$500 to \$10,000 per month.

Under questioning from the Staff, Davis testified that WorldTel will charge rates about 25% lower than AT&T's standard SDN rates and 10% to 15% below its PRO WATS rates. Davis could not compare WorldTel's proposed rates to WilTel's.

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The financial exhibits provided by WorldTel were prepared by WorldTel staff and audited by Arthur Andersen & Company. These financials show the following:

Nov. 30, 1992 (YTD)		Dec. 30, 1991 (YTD)	
Revenues	\$19.346M	Revenues	\$11.724M
Gross Profit	4.595M	Gross Profit	-1.275M
Income	.433M	Income	-3.382M
Net Income	1.092M	Net Income	-3.453M
Assets		Assets	
4.367M		13.866M	
Liabilities & Shareholders' Equity		Liabilities & Shareholders' Equity	
4.367M		13.866M	

Projected Profit and Loss Statement for 1993			
	Jan.	July	December
Revenues	\$1.766M	2.215M	3.322M
Gross Profit	.318M	.437M	.786M
Income	-.009M	.036M	.462M
Net Income	-.035M	.034M	.386M
12 Month Total			
Revenues	\$27.507M		
Gross Profit	5.633M		
Income	1.386M		
Net Income	908M		

The Applicant's proposed tariff which is part of its application is in accordance with the Commission's rules and regulations. The tariff appears reasonable in light of the proposed service.

The facilities of the Applicant now in place are providing interstate service. Applicant does not propose to construct facilities for use in intrastate service; therefore, no existing facilities will be duplicated if this application is granted for reseller service.³

Based on the testimony, the exhibits, and the proposed tariff, the application is fair and reasonable, is in the public interest, and should be granted.

O R D E R

³See Section 75-604.

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IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-964 be, and it is hereby, granted and WorldTel Services, Inc. of Mission Viejo, California is hereby authorized to operate as a resale carrier of intrastate interexchange interLATA and intraLATA telecommunications services within the state of Nebraska.

IT IS FURTHER ORDERED that the Applicant shall file, in accordance with the applicable statutes, an annual report with this Commission consisting of (a) a copy of any report filed with the Federal Communications Commission, (b) the annual report to stockholders, and (c) for the State of Nebraska on a combined interstate-intrastate basis, the investment in telephone plant and equipment located within the state, accumulated depreciation thereon, operating revenues, operating expenses, and taxes.

IT IS FURTHER ORDERED that the Applicant file an updated tariff prior to offering service pursuant to the certificate granted in this order.

IT IS FINALLY ORDERED that this order be, and it is hereby, made the Commission's official certificate of authority to furnish the service authorized herein as a common carrier.

MADE AND ENTERED at Lincoln, Nebraska this 9th day of March, 1993.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING

Daniel D. Huwiler

//s//Rod Johnson
//s//Frank E. Landis, Jr.

James J. Jurek
Chairman

ATTEST:

Patricia R. Kij
Executive Director