

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of ) Application No. C-1626  
Sterling International Funding, )  
Inc. d/b/a Reconex, Portland, )  
Oregon, seeking authority to obtain )  
a Certificate of Public Conveni- ) GRANTED  
ence and Necessity to provide local )  
exchange service as a competitive )  
local exchange carrier in the state )  
of Nebraska. ) Entered: February 18, 1998

APPEARANCES

For the Applicant:

Loel Brooks  
Brooks, Pansing, Brooks  
13th and O Streets  
984 NBC Center  
Lincoln, Nebraska 68508

For the Commission Staff:

Deonne L. Bruning  
300 The Atrium, 1200 N Street  
Lincoln, Nebraska 68508

For Arapahoe, Benkelman,  
Cozad, Diller, Hemingford,  
Henderson and Wauneta Tele-  
phone Companies:

Timothy Clare  
Rembolt, Ludtke et. al.  
1201 Lincoln Mall  
Suite 102  
Lincoln, Nebraska 68508

BY THE COMMISSION

By application filed September 11, 1997, Sterling International Funding, Inc. d/b/a Reconex (Reconex) of Portland, Oregon, seeks authority to obtain a Certificate of Public Convenience and Necessity to provide local exchange service in the state of Nebraska. Notice of the application appeared in The Daily Record on September 12, 1997. The following parties filed petitions for formal intervention: Aliant, Arapahoe Telephone, Benkelman Telephone, Cambridge Telephone, Clarks Telecommunications, Consolidated Teleco, Consolidated Telephone, Cozad Telephone, Diller Telephone, Great Plains, Hemingford Cooperative Telephone, Henderson Cooperative Telephone, HunTel Systems, Nebraska Independent Telephone Association, Southeast Nebraska Telephone and Wauneta Telephone. A hearing was held February 3, 1998, in the Commission Hearing Room, Lincoln, Nebraska, with appearances as shown above.

EVIDENCE

In support of its application, Reconex produced one witness, William E. Braun. Mr. Braun, General Counsel and Secretary of Reconex, testified as follows:

Application No. C-1626

PAGE 2

Reconex is a privately-held corporation incorporated under the laws of the state of Nevada. Reconex currently employs approximately 60 people who work in the following departments: Operations, Sales, Marketing, Accounting, Information Systems and Legal. The senior management team has guided Reconex's affiliate, Ameritel, from a start-up company in 1992 to the largest alternative, prepaid residential telephone company in the United States. Ameritel has been publicly recognized as one of the fastest growing private companies in the Pacific Northwest. Virtually all of Reconex's management personnel have prior telecommunications experience. In 1996, management directed the combined companies to a 59 percent increase in customer base and a 52 percent increase in revenues.

Reconex with its affiliate, Ameritel Corp., has been providing residential service since 1992. Reconex has sufficient financial resources to provide local exchange service in Nebraska. In 1995, revenues grew 54 percent over 1994 and in 1996, revenues grew 52 percent over 1995.

Reconex will provide residential local exchange services as a reseller. Reconex proposes to provide local dial tone service only, on a prepaid basis. Reconex markets its services to prospective customers who are, or would be, denied service by the incumbent local exchange carrier. Reconex will market its services through advertising on television, radio and print. In addition, Reconex will utilize a network of local dealers who are responsible for taking new orders, as well as accepting payment from existing customers.

Reconex has not been denied certification in any state and has received authorization from 24 state commissions. Applications are pending in 17 states. Reconex performs its own billing and provides a toll-free 800 number for customer service. Reconex provides services to customers on a prepaid basis which provides convenience, improved accessibility, simplicity and budgeting certainty. Reconex will contribute equitably to a state universal service fund, should one be created.

A stipulation was entered into, with the formal intervenors, which provides Reconex will limit its service territory to that presently served by US West Communications. Should an expanded service area be desired, Reconex will file a subsequent application with the Commission.

No other parties introduced testimony or evidence.

Application No. C-1626

PAGE 3

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

The Commission considers this application for authority in light of the following criteria and standards established in the Commission's telecommunications rules:

- (a) Whether the applicant has provided the information required by the Commission;
- (b) Whether the applicant has provided a performance bond, if required;
- (c) Whether the applicant possesses adequate financial resources to provide the proposed service;
- (d) Whether the applicant possesses adequate technical competence and resources to provide the proposed service;
- (e) Whether the applicant possesses adequate managerial competence to provide the proposed service; and
- (f) Whether granting the applicant a certificate preserves and advances universal service, protects the public safety and welfare and ensures the continued quality of telecommunications services and safeguards the rights of consumers, pursuant to Section 253(b) of the Act.

Reconex has demonstrated that it meets the standards of financial, technical and managerial competence and all other criteria necessary to provide local exchange service on a resale basis in Nebraska. No party to this proceeding refuted Reconex's competence. No performance bond is required.

Before Reconex is allowed to provide local exchange service to its users:

- (a) Reconex, either through negotiation or arbitration, must reach an interconnection agreement with US West Communications;
- (b) The Commission must approve the interconnection agreement; and
- (c) Reconex must file, and the Commission must approve, a tariff in accordance with the provisions of Section 002.21 of Neb. Admin. R. & Regs. tit. 291, ch. 5.

Application No. C-1626

PAGE 4

Further, prior to providing local exchange service to any area outside the US West Communications service area, Reconex must obtain additional authority from this Commission to expand its service territory.

A stipulation was entered into by the parties. The intervenors who participated in the stipulation maintain the right and opportunity to contest any future application of Reconex to expand its service territory. Nothing in the stipulation shall in any way limit Reconex's right in connection with any such future application(s) to demonstrate to the Commission the applicant's satisfaction of any such criteria or standards established by the Commission.

As a provider of local exchange service in the state of Nebraska, Reconex should be subject to the same laws, rules and regulations, both federal and state (including any laws, rules or regulations regarding universal service, restrictions on joint marketing and quality of service), applicable to any other local exchange company except those obligations imposed on incumbent local exchange carriers pursuant to Section 251(c) of the Act.

## O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-1626 be, and it is hereby, granted.

IT IS FURTHER ORDERED that upon final approval of the interconnection agreement and tariff, Sterling International Funding, Inc. d/b/a Reconex is granted authority to provide local exchange service on a resale basis in the areas served by US West Communications. Reconex must make further application to this Commission for authority to provide local exchange service outside these areas.

IT IS FURTHER ORDERED that Sterling International Funding, Inc. d/b/a Reconex shall abide by the same laws, rules and regulations, both federal and state (including any laws, rules or regulations regarding universal service, restrictions on joint marketing and quality of service), applicable to other local exchange carriers except obligations imposed on incumbent local exchange carriers pursuant to Section 251(c) of the Federal Telecommunications Act.

IT IS FURTHER ORDERED that the applicant shall file, in accordance with the applicable statutes on or before April 30th of each year, an annual report with this Commission consisting of (a) a copy of any report filed with the Federal Communications

Application No. C-1626

PAGE 5

Commission, (b) a copy of any annual report to stockholders, (c) a copy of the latest Form 10-K filed with the Securities and Exchange Commission. If such reports are unavailable, application shall file a balance sheet and income statement for the previous year of operation, and 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 FINALLY ORDERED that this order be, and hereby is made, the Commission's official certificate of public convenience and necessity to the applicant to provide local exchange service within the territory described herein in Nebraska.

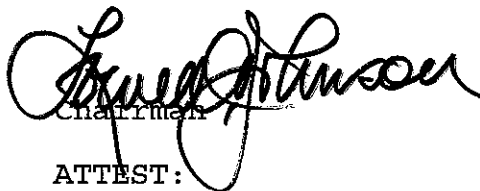
MADE AND ENTERED at Lincoln, Nebraska, this 18th day of February, 1998.

COMMISSIONERS CONCURRING:

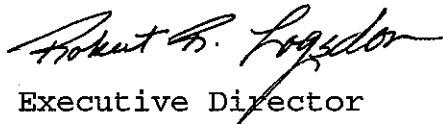


//s//Lowell C. Johnson  
//s//Rod Johnson  
//s//Frank E. Landis

NEBRASKA PUBLIC SERVICE COMMISSION

  
Chairman

ATTEST:

  
Executive Director