

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Custom Teleconnect, Inc.
(U6017C) for a Certificate of Public
Convenience and Necessity to Operate as a
Provider of Resold Local Exchange Service
within California.

Application 11-04-009
(Filed April 4, 2011)

**DECISION APPROVING SETTLEMENT AGREEMENT BETWEEN CUSTOM
TELECONNECT, INC. AND CONSUMER PROTECTION AND SAFETY
DIVISION AND GRANTING CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY TO CUSTOM TELECONNECT, INC. TO OPERATE AS A
RESELLER OF COMPETITIVE LOCAL EXCHANGE CARRIER SERVICES**

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DECISION APPROVING SETTLEMENT AGREEMENT BETWEEN CUSTOM TELECONNECT, INC. AND CONSUMER PROTECTION AND SAFETY DIVISION AND GRANTING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CUSTOM TELECONNECT, INC. TO OPERATE AS A RESELLER OF COMPETITIVE LOCAL EXCHANGE CARRIER SERVICES

1. Summary

This decision approves the proposed Settlement Agreement (Attachment A) between the California Public Utilities Commission's Safety Enforcement Division (SED)¹ and Custom Teleconnect, Inc. (CTI or Applicant). The Settlement Agreement resolves the Protest that the SED filed against CTI. We find that the Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest, and approve it. This decision also grants a Certificate of Public Convenience and Necessity (CPCN) to CTI to expand its authority to operate as a reseller of competitive local exchange carrier services within California pursuant to Public Utilities Code Section 1001 and subject to the terms and conditions sets forth in the Ordering Paragraphs.²

The Settlement Agreement requires CTI take action in three ways: (1) CTI must file three reports to the Deputy Director of SED on a quarterly basis for approximately two years which will include certain California consumer information; (2) within a year of the effective date of the Agreement, CTI will complete a review and technical audit of its collect-call acceptance and placing equipment and report the findings to the Deputy Director of SED; and (3) CTI

¹ Formerly the Consumer Protection and Safety Division (CPSD)

² All statutory references herein are to the California Public Utilities Code unless otherwise indicated.

agrees to amend its existing pre-recorded rate disclosure telephone message that informs potential customers about the rates to which they will be subject.

Application 11-04-009 is closed.

2. Background

Custom Teleconnect, Inc. (CTI or Applicant) (U6017C) is an interexchange telecommunications common carrier. The Applicant is incorporated in Nevada with its principal address at 6242 W. Desert Inn Road, Las Vegas, NV 89146.

On April 4, 2011, CTI filed Application (A.) 11-04-009 with the California Public Utilities Commission (Commission) for a Certificate of Public Convenience and Necessity (CPCN). CTI is currently a registered Non-Dominant Interexchange Carrier (NDIEC) in California, providing interLATA and intraLATA services. This authority was granted through Commission Decision (D.) 98-07-004, in response to Application (A.) 98-05-050. CTI's current utility number is U-6017-C. Through the instant application CTI seeks to expand its authority to operate as a reseller of competitive local exchange carrier (CLEC) services, and plans to offer these new services in the territories currently served by AT&T California, Verizon California, Inc., SureWest Telephone, and Citizens Telephone Company of California d/b/a Frontier Communications of California

On May 23, 2011, pursuant to Rule 2.6, the Commission's Safety and Enforcement Division (SED)³ filed a protest to the Application. SED's protest cited evidence of numerous customer complaints regarding CTI, which were received directly by the Commission's Consumer Affairs Branch, by the

³ The SED is tasked with investigation and oversight of the various utilities the CPUC works with.

Federal Trade Commission, as well as numerous complaints contained in online forums and databases and articles.

On September 1, 2011, a Prehearing Conference (PHC) was held at the Commission's San Francisco office. At the PHC, SED indicated that it needed more time to review the complaints against CTI and indicated that it would be making various data requests. The PHC was continued. A Notice was sent out on October 14, 2011, stating that the PHC would be continued on November 11, 2011. A second PHC was not held as the parties entered into settlement talks.

On September 13, 2011, SED sent data request (DR-TEL)-00328-4, to Billing Services Group (BSG). Until recently, BSG had CTI's billing and collection agent. On October 20, 2011 CTI requested that SED provide CTI with a copy of BSG's response to the data request. On October 24, 2011, SED denied the request citing the confidential nature of BSG's response. On November 7, 2011, applicant filed and served a motion to compel. SED did not object. Administrative Law Judge (ALJ) W. Anthony Colbert granted the motion to compel the production of BSG's response on November 21, 2011.

On November 09, 2012, a joint motion for Commission Adoption of a Settlement Agreement and granting of a CPCN was filed by the Applicant and SED. The proposed Settlement Agreement, including a stipulation of facts by the parties, is attached to this decision as Attachment E. No protests to the Settlement Agreement have been filed.

3. Terms of the Settlement Agreement

The Settlement Agreement was entered into by all parties as of October 31, 2012. Upon execution of the Settlement Agreement, SED has agreed to withdraw their protest and discontinue opposition to CTI's CPCN application.

While the attached Settlement Agreement should be referred to for a detailed examination of its terms, some of the more important terms of the Settlement include:

- CTI will report complaints (Complaints) from California consumers to the Deputy Director of the SED, to be submitted on a quarterly basis. The first report will cover the time period between the effective date of the Commission decision granting A. 11-04-009 (“Effective Date”) and the end of the calendar quarter following the calendar quarter in which the Effective Date falls. The remaining seven reports will cover the subsequent calendar quarters. The quarterly reports shall provide data categorized into complaint-type categories broken down by month. These categories will be determined by CTI and will broadly cover all types of complaints received, but will specifically include a category labeled “Customer Denies Knowledge of Calls” and “High Bills.” CTI will also be permitted to include the recorded acceptance of the call and its resolution. The reports will be submitted via e-mail.
- For a period of two years following the Effective Date, CTI will reported the total number of billings and refunds for California consumers to the Deputy Director of SED. CTI will also be permitted to include whether or not the refund was a one-time courtesy to the consumer and if available attach the recorded acceptance of the call. For the same two year period CTI will also report the total dollar amount billed and refunded for California consumers to the Deputy Director of SED. These reports will be submitted on a quarterly basis. The first report will cover the time period between the Effective Date and the end of the calendar quarter following the calendar quarter in which the Effective Date falls. The remaining seven reports will cover the subsequent calendar quarters. The quarterly reports should provide the data broken down by month. The reports will be submitted via e-mail.

- Within one year of the Effective Date, CTI will complete a review and technical audit of its collect-call acceptance and placing equipment. CTI must monitor for accidental misreads of collect call charges and, if any, employ its best efforts to rectify and problems discovered. CTI will ask that its customers with stand-alone inmate facility equipment do the same. Upon completion of the described review, CTI will report the methodology, findings, and results of the review to the Deputy Director of SED. This report will be submitted via e-mail.
- CTI agrees to amend its existing pre-recorded rate disclosure telephone message that informs potential customers about the rates to which they will be subject, prior to exercising the authority granted by this decision. The message will include the phrase "Please listen to all menu options before continuing."

4. Discussion

Pursuant to Rule 12.1(d), the Commission will not approve a settlement unless it is reasonable in light of the whole record, consistent with law, and in the public interest.⁴ As discussed below, the Settlement Agreement satisfies Rule 12.1(d) and the Commission's other requirements specified in Rule 12.1 for approval of formal settlements.

⁴ The record consists of CTI's Application, SED's protest, the transcript to the September 1, 2011 Prehearing Conference, and CTI's November 11, 2011 Motion to Compel Production of Documents.

A. The Settlement Is Reasonable In Light Of The Whole Record

Before adopting a settlement, the Commission must be satisfied that the parties have a sound and thorough understanding of the issues and information included in the record.

The Joint Parties' Motion contains a thorough explanation of the facts of the case. SED found a number of complaints filed against CTI with the Consumer Affairs Branch of the Commission. The complaints alleged unexpectedly high or fraudulent pricing for relatively short-duration collect calls. SED also found complaints online regarding CTI, noting the same issues and also claims of inability to reach CTI's customer service department to fix any such issues. SED also alleged a Rule 1.1 violation for failure to report a cramming penalty issued against CTI by the Iowa Utilities Board. CTI states that the omission was unintentional and unpreventable. Given these alleged compliance issues, it is reasonable to require of CTI certain review and disclosure requirements in order to obtain a CPCN to operate as a reseller of competitive local exchange carrier services within California. In exchange for these requirements, CTI sheds SED's opposition to its application. The Settlement Agreement is thus reasonable.

B. The Proposed Settlement Is Consistent With The Law

The Commission finds that nothing in the Settlement contravenes any statutory provisions or prior Commission decisions. The Settlement Agreement does not contradict current Commission rules and it does not constitute a precedent regarding any principle or issue in this proceeding or any future proceeding. Both CTI and the SED have voluntarily entered into this agreement with the review and advice of their respective legal counsel and staff.

Therefore, the Commission finds the Settlement to be fully consistent with the law.

C. The Proposed Settlement And Its Approval By An Interim Decision Are in the Public Interest

The proposed Settlement Agreement is in the public interest. It is consistent with the Commission's well-established policy of supporting resolution of disputed matters through settlement, it reflects a reasonable compromise, and it avoids the time, expense, and uncertainty of evidentiary hearings and further litigation. The Settlement achieves a significant savings in time, resources, and expense for CTI, SED, and the Commission. This Settlement Agreement is a compromise that will require CTI to be forthcoming with regards to its customer complaints and billing processes. CTI accepts reporting responsibilities designed to warn the Commission of any potential irregularities that are similar in content to the complaints previously received. The SED decided that issuing a fine for the alleged Rule 1.1 violation would not serve as a deterrent for future violations, given CTI's explanation of the violation, lack of prior offenses, and willingness to rectify the problem. The integrity of the CPCN Application process is protected, as future applicants will know that no violation, even if inadvertent, will go unpunished. The Settlement Agreement is thus in the Public Interest.

In summary, we find that the Settlement Agreement is reasonable in light of the record as a whole, consistent with the law, and in the public interest. We therefore approve it, resolving SED's protest. There are additional qualifications and requirements that must be met, however, in order for the Commission to grant CTI a CPCN.

5. California Environmental Quality Act (CEQA)

The CEQA requires the Commission act as the designated lead agency to assess the potential environmental impact of a project in order that adverse effects are avoided, alternatives are investigated, and environmental quality is restored or enhanced to the fullest extent possible. Since Applicant states that it will not be constructing any facilities in order to provide its services, there is no possibility of an adverse impact upon the environmental. If Applicant seeks to construct any facilities in the future, it must file for additional authority, and submit to any necessary CEQA review before doing so.

6. Financial Qualifications

To be granted a CPCN for authority to provide resold local exchange service and/or resold interexchange services, an applicant must demonstrate that it has \$25,000 cash or cash equivalent to meet the firm's start-up expenses. The applicant must also demonstrate that it has sufficient additional resources to cover all deposits required by other telecommunications carriers in order to provide service in California.⁵ Upon a review of CTI's financial statements, filed under seal, we find that CTI has sufficient funds to meet its expenses and deposits.

7. Technical Qualifications

To be granted a CPCN for authority to provide local exchange service, an applicant must make a reasonable showing of technical expertise in telecommunications or a related business. Applicant provided information on its

⁵ The financial standards for certification to operate as a Competitive Local Exchange Carrier (CLEC) are set forth in D.95-12-056, Appendix C, Rule 4.B.

management that demonstrates that it has sufficient expertise and training to operate as a telecommunications provider.

Applicant verified that no one associated with or employed by Applicant as an affiliate, officer, director, partner, or owner of more than 10% of Applicant was previously associated with a telecommunications carrier that filed for bankruptcy, or was sanctioned by the Federal Communications Commission or any state regulatory agency for failure to comply with any regulatory statute, rule, or order, or has been found either civilly or criminally liable by a court of appropriate jurisdiction for a violation of § 17000, *et seq.* of the California Business and Professions Code, or for any actions which involved misrepresentations to consumers, nor is currently under investigation for similar violations.

For the above reasons, we find that Applicant is in compliance with the requirements of D.95-12-056.

8. Tariffs

Commission staff reviewed Applicant's draft tariffs for compliance with Commission rules and regulations. The deficiencies are noted in Attachment A to this decision. In its compliance tariff filing, Applicant shall correct these deficiencies as a condition of our granting approval of its tariffs.

9. Conclusion

This Settlement Agreement resolves all issues before the Commission in this proceeding. CTI's application also conforms to our rules for its certification as a CLEC. This decision adopts the Settlement Agreement, grants CTI a CPCN to provide resold local exchange telecommunications services, and closes the proceeding

10. Request to File Under Seal

Pursuant to Pub. Util. Code § 583 and General Order 66-C, Applicant requests that its financial information submitted in the application be kept under seal. Applicant represents that the information is sensitive and if revealed would place Applicant at an unfair business disadvantage. We have granted similar requests in the past and will do so here.

11. Categorization and Need for Hearing

In Resolution ALJ-176-3273, dated May 05, 2011, the Commission preliminarily categorized this application as ratesetting. No hearings were anticipated. No additional hearings are necessary as a result of the settlement.

12. Waiver of Comment Period

This decision approves the Settlement Agreement and is joined by all parties to the proceeding. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

13. Assignment of Proceeding

Catherine J. K. Sandoval is the assigned Commissioner and W. Anthony Colbert is the assigned ALJ and the presiding officer in this proceeding.

Findings of Fact

1. On April 4, 2011, CTI filed A.11-04-009, seeking to expand its authority to operate as a reseller of competitive local exchange carrier (CLEC) services.
2. CTI is currently a registered Non-Dominant Interexchange Carrier (NDIEC) in California, providing interLATA and intraLATA services.
3. On May 23, 2011, the California Public Utilities Commission's (Commission) SED filed a protest (Protest) to CTI's application. The Protest

alleged complaints of overcharges and a Commission Rule 1.1 violation for failure to disclose prior infractions.

4. Under the terms of the Settlement Agreement, CTI will file three reports to the Deputy Director of SED on a quarterly basis for approximately two years starting from the effective date of the Commission decision granting A.11-04-009. In these three reports, CTI will include California consumer complaints, the total number of billings and refunds for California consumers, and the total number of billed and refunded for California consumers.

5. Also under the Settlement Agreement, within one year of the effective date of this Agreement, CTI will complete a review and technical audit of its collect-call acceptance and placing equipment. CTI must monitor for accidental misreads of collect call acceptance and placing equipment. CTI must monitor for accidental misreads of collect call acceptance signals which may result in unauthorized collect call charges and attempt to rectify any problems. CTI will report the methodology, findings, and results of the review to the Deputy Director of SED.

6. CTI in the Settlement Agreement also agrees to amend its existing pre-recorded rate disclosure telephone message that informs potential customers about the rates to which they will be subject to include the phrase "Please listen to all menu options before continuing."

7. The Settlement Agreement avoids the time, expense, and uncertainty of further litigation and resolving this matter.

8. Additional hearings are not required.

9. In prior decisions, the Commission authorized competition in providing local exchange carrier services within the service territories of Pacific, Verizon, SureWest, and CTC.

10. Applicant has a minimum of \$25,000 of cash or cash equivalent that is reasonably liquid and readily available to meet its start-up expenses.

11. Applicant represents that no one associated with or employed by Applicant as an affiliate, officer, director, partner, or owner of more than 10% of Applicant was previously associated with a telecommunications carrier that filed for bankruptcy, or was sanctioned by the Federal Communications Commission or any state regulatory agency for failure to comply with any regulatory statute, rule, or order.

12. Applicant's management possesses sufficient experience and knowledge to provide local exchange services to the public.

13. Applicant does not propose to construct any facilities.

14. Public disclosure of the financial information filed under seal would place applicant at an unfair business disadvantage.

Conclusions of Law

1. Nothing in the Settlement Agreement contravenes any statute or Commission decision or rule.

2. The benefits to the public of the Settlement Agreement outweigh the benefits of continued litigation.

3. The Settlement Agreement is reasonable in light of the whole record.

4. The Settlement Agreement is in the public interest.

5. The Settlement Agreement should be approved.

6. Applicant has the financial ability to provide the proposed service.

7. Applicant has made a reasonable showing of technical expertise in, or related to, telecommunications.

8. Public convenience and necessity require the competitive local exchange services to be offered by CTI, subject to the terms and conditions set forth herein.

9. The application should be granted to the extent set forth below.
10. Applicant, once granted a CPCN, should be subject to the applicable Commission rules, decision, General Orders, and statutes that pertain to California public utilities.
11. Applicant's initial tariff filing should correct the deficiencies noted in its draft tariffs as indicated in Exhibit A to this decision.
12. Since Applicant does not propose to construct any facilities, it can be said with certainty that granting it authority to provide local exchange services will not have a significant adverse effect upon the environment.
13. Applicant's request to file its financial information under seal should be granted for three years.
14. Because of the public interest in competitive local exchange services, the following order should be effective immediately.
15. Additional hearings are not necessary in this proceeding.

O R D E R

IT IS ORDERED that:

1. The Settlement Agreement between Custom Teleconnect, Inc. (U6017C) and the Commission's Safety Enforcement Division, attached as Attachment E, is approved.
2. Prior to exercising any authority granted by this decision, Custom Teleconnect, Inc. shall amend its existing rate disclosure telephone message as required by the Settlement Agreement.
3. Custom Teleconnect, Inc. shall adhere to the reporting, disclosure, and other responsibilities as laid out in the Settlement Agreement.

4. Custom Teleconnect, Inc.'s Certificate of Public Convenience and Necessity is expanded to allow it to operate as a provider of resold competitive local exchange telecommunications services in the service territories of Pacific Bell Telephone Company, d/b/a AT&T California, Verizon California Inc., SureWest Telephone, and Citizens Telecommunications Company of California, Inc., d/b/a Frontier Communications of California.

5. Custom Teleconnect, Inc. is authorized to file tariff schedules for the provision of competitive local exchange services. Applicant may not offer competitive local exchange services until tariffs are filed and authorized by this Commission, in accordance with General Order 96-B, and shall correct the deficiencies noted in Attachment A. The tariff shall be effective not less than one day after approval by the Commission's Communications Division. Applicant shall comply with its tariffs.

6. Custom Teleconnect, Inc. must obtain a performance bond of at least \$25,000 in accordance with Decision 13-05-035. The performance bond must be a continuous bond (*i.e.*, there is no termination date on the bond) issued by a corporate surety company authorized to transact surety business in California, and the Commission must be listed as the obligee on the bond. Within five days of acceptance of its certificate of public convenience and necessity authority, Custom Teleconnect, Inc. must submit a Tier-1 advice letter to the Director of Communications, containing a copy of the license holder's executed bond, and submit a Tier-1 advice letter annually, but not later than March 31, with a copy of the executed bond.

7. Custom Teleconnect, Inc. must not allow its performance bond to lapse during any period of its operation. Pursuant to Decision 13-05-035, the Commission may revoke a certificate of public convenience and necessity if a

carrier is more than 120 days late in providing the Director of the Communications Division a copy of its executed performance bond and the carrier has not been granted an extension of time by the Communications Division.

8. Custom Teleconnect, Inc. motion to file under seal is granted for a period of three years after the date of this order. During this three year period, this information shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If Custom Teleconnect, Inc. believes that it is necessary for this information to remain under seal for longer than three years, Custom Teleconnect, Inc. may file a new motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

9. Application 11-04-009 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

Attachment A

ATTACHMENT A

Page 1

List of deficiencies in draft tariff submitted by Custom Teleconnect, Inc., in A.11-04-009 to be corrected in its initial tariff compliance filing.

1. Tariff Sheet Format: CPUC assigned utility ID number (U-6017-C) should be included on each sheet in the upper left header along with Custom Teleconnect, Inc. name and address. (General Order 96B, Section 8.4.1)
2. Add a procedure that the customer may use to request amortization of unpaid charges that is in compliance to Decision 95-07-054, Appendix B, Rule 6.B.(2).5.
3. Fees and Surcharges: Tariff must concur with the tariff provision for fees and surcharges in AT&T California tariffs pursuant to Resolution T-16901.
4. Include information on legal requirements for refusal of service (D.91188, January 8, 1980).

(End of Attachment A)

Attachment B

ATTACHMENT B**REQUIREMENTS APPLICABLE TO COMPETITIVE LOCAL EXCHANGE CARRIERS AND INTEREXCHANGE CARRIERS**

1. Applicant must file, in this docket with reference to this decision number,⁶ a written acceptance of the certificate granted in this proceeding within 30 days of the effective date of this order.

2. Applicant is subject to the following fees and surcharges that must be regularly remitted. Per the instructions in Exhibit E to Decision (D.) 00-10-028, the Combined California PUC Telephone Surcharge Transmittal Form must be submitted even if the amount due is \$0.

- a. The Universal Lifeline Telephone Service Trust Administrative Committee Fund (Pub. Util. Code § 879);
- b. The California Relay Service and Communications Devices Fund (Pub. Util. Code § 2881; D.98-12-073);
- c. The California High Cost Fund-A (Pub. Util. Code § 739.3; D.96-10-066, at 3-4, App. B, Rule 1.C);
- d. The California High Cost Fund-B (D.96-10-066, at 191, App. B, Rule 6.F.; D.07-12-054);
- e. The California Advanced Services Fund (D.07-12-054);
- f. The California Teleconnect Fund (D.96-10-066, at 88, App. B, Rule 8.G).
- g. The User Fee provided in Pub. Util. Code §§ 431-435. The minimum annual User Fee is \$100, as set forth in D.13-05-035.

Note: These fees change periodically. In compliance with Resolution T-16901, December 2, 2004, Applicant must check

⁶ Written acceptance filed in this docket does not reopen the proceeding.

the joint tariff for surcharges and fees filed by Pacific Bell Telephone Company (dba AT&T California) and apply the current surcharge and fee amounts in that joint tariff on end-user bills until further revised. Current and historical surcharge rates can be found at <http://www.cpuc.ca.gov/PUC/Telco/Consumer+Information/surcharges.htm>.

- Carriers must report and remit CPUC telephone program surcharges online using the CPUC Telecommunications and User Fees Filing System (TUFFS). Information and instructions for online reporting and payment of surcharges are available at <http://www.cpuc.ca.gov/PUC/Telco/Information+for+providing+service/Surcharge+Remittance.htm>. To request a user ID and password for TUFFS online filing and for questions, please e-mail Telco_surcharges@cpuc.ca.gov.
- Carriers must file and pay the PUC User Fee (see above item 2g) upon receiving the User Fee statement sent by the Commission. User Fees cannot be reported or paid online. Instructions for reporting filing are available at <http://www.cpuc.ca.gov/PUC/Telco/Information+for+providing+service/userfee.htm>. Please call (415) 703-2470 for questions regarding User Fee reporting and payment.

3. Applicant must obtain a performance bond of at least \$25,000 in accordance with Decision 13-05-035. The performance bond must be a continuous bond (*i.e.*, there is no termination date on the bond) issued by a corporate surety company authorized to transact surety business in California, and the Commission must be listed as the obligee on the bond. Within 5 days of acceptance of Certificate of Public Convenience and Necessity authority, Applicant must submit a Tier-1 advice letter to the Director of Communications, containing a copy of the license holder's executed bond, and submit a Tier-1

advice letter annually, but not later than March 31, with a copy of the executed bond.

4. Applicant must not allow its performance bond to lapse during any period of its operation. Pursuant to Decision 13-05-035, the Commission may revoke a Certificate of Public Convenience and Necessity if a carrier is more than 120 days late in providing the Director of the Communications Division a copy of its executed performance bond and the carrier has not been granted an extension of time by the Communications Division.

5. Applicant is a competitive local exchange carrier (CLC). The effectiveness of its future tariffs is subject to the requirements of General Order 96-B and the Telecommunications Industry Rules (D.07-09-019).

6. Applicant is a non-dominant interexchange carrier (NDIEC). The effectiveness of its future NDIEC tariffs is subject to the requirement of General Order 96-B and the Telecommunications Industry Rules (D.07-09-019).

7. Tariff filings must reflect all fees and surcharges to which Applicant is subject, as reflected in #2 above.

8. Applicant must file a service area map as part of its initial tariff.

9. Prior to initiating service, Applicant must provide the Commission's Consumer Affairs Branch with the name and address of its designated contact person(s) for purposes of resolving consumer complaints. This information must be updated if the name or telephone number changes, or at least annually.

10. Applicant must notify the Director of the Communications Division in writing of the date that local exchange service is first rendered to the public, no later than five days after service first begins.

11. Applicant must notify the Director of the Communications Division in writing of the date local service is first rendered to the public within five days after service begins.

12. Applicant must keep its books and records in accordance with the Generally Accepted Accounting Principles.

13. In the event Applicant's books and records are required for inspection by the Commission or its staff, it must either produce such records at the Commission's offices or reimburse the Commission for the reasonable costs incurred in having Commission staff travel to its office.

14. Applicant must file an annual report with the Director of the Communications Division, in compliance with GO 104-A, on a calendar-year basis with the information contained in Attachment C to this decision.

15. Applicant must file an affiliate transaction report with the Director of the Communications Division, in compliance with D.93-02-019, on a calendar-year basis using the form contained in Attachment D.

16. Applicant must ensure that its employees comply with the provisions of Pub. Util. Code § 2889.5 regarding solicitation of customers.

17. Within 60 days of the effective date of this order, Applicant must comply with Pub. Util. Code § 708, Employee Identification Cards, and notify the Director of the Communications Division in writing of its compliance.

18. If Applicant is 90 days or more late in filing an annual report, or in remitting the surcharges and fee listed in #2 above, and has not received written permission from the Communications Division to file or remit late, the Communications Division must prepare for Commission consideration a resolution that revokes Applicant's CPCN.

PROPOSED DECISION

19. Applicant is exempt from Rule 3.1(b) of the Commission Rules of Practice and Procedure

20. Applicant is exempt from Pub. Util. Code §§ 816-830.

21. Applicant is exempt from the requirements of Pub. Util. Code § 851 for the transfer or encumbrance of property whenever such transfer or encumbrance serves to secure debt.

22. If Applicant decides to discontinue service or file for bankruptcy, it must immediately notify the Communications Division's Bankruptcy Coordinator.

23. Applicant must send a copy of this decision to concerned local permitting agencies no later than 30 days from the date of this order.

(End of Attachment B)

Attachment C

ATTACHMENT C**ANNUAL REPORT**

An original and a machine readable, copy using Microsoft Word or compatible format must be filed with the California Public Utilities Commission, State Office Building, 505 Van Ness Avenue, Room 3107, San Francisco, CA 94102-3298, no later than March 31st of the year following the calendar year for which the annual report is submitted.

Failure to file this information on time may result in a penalty as provided for in Pub. Util. Code §§ 2107 and 2108.

Required information:

1. Exact legal name and U # of the reporting utility.
2. Address.
3. Name, title, address, and telephone number of the person to be contacted concerning the reported information.
4. Name and title of the officer having custody of the general books of account and the address of the office where such books are kept.
5. Type of organization (*e.g.*, corporation, partnership, sole proprietorship, etc.).

If incorporated, specify:

- a. Date of filing articles of incorporation with the Secretary of State.
 - b. State in which incorporated.
6. Number and date of the Commission decision granting the Certificate of Public Convenience and Necessity.
 7. Date operations were begun.
 8. Description of other business activities in which the utility is engaged.
 9. List of all affiliated companies and their relationship to the utility. State if affiliate is a:
 - a. Regulated public utility.
 - b. Publicly held corporation.
 10. Balance sheet as of December 31st of the year for which information is submitted.

11. Income statement for California operations for the calendar year for which information is submitted.
12. Cash Flow statement as of December 31st of the calendar year for which information is submitted, for California operations only.

For answers to any questions concerning this report, call (415) 703-2883.

(End of Attachment C)

Attachment D

ATTACHMENT D**CALENDAR YEAR AFFILIATE TRANSACTION REPORT**

An original and a machine readable, copy using Microsoft Word and Excel, or compatible format must be filed with the California Public Utilities Commission, State Office Building, 505 Van Ness Avenue, Room 3107, San Francisco, CA 94102-3298, no later than May 1st of the year following the calendar year for which the annual report is submitted.

1. Each utility must list and provide the following information for each affiliated entity and regulated subsidiary that the utility had during the period covered by the Annual Affiliate Transaction Report.

- Form of organization (*e.g.*, corporation, partnership, joint venture, strategic alliance, etc.);
- Brief description of business activities engaged in;
- Relationship to the utility (*e.g.*, controlling corporation, subsidiary, regulated subsidiary, affiliate);
- Ownership of the utility (including type and percent ownership)
- Voting rights held by the utility and percent; and
- Corporate officers.

2. The utility must prepare and submit a corporate organization chart showing any and all corporate relationships between the utility and its affiliated entities and regulated subsidiaries in #1 above. The chart must have the controlling corporation (if any) at the top of the chart, the utility and any subsidiaries and/or affiliates of the controlling corporation in the middle levels of the chart, and all secondary subsidiaries and affiliates (*e.g.*, a subsidiary that in turn is owned by another subsidiary and/or affiliate) in the lower levels. Any regulated subsidiary must be clearly noted.

3. For a utility that has individuals who are classified as “controlling corporations” of the competitive utility, the utility must only report under the requirements of #1 and #2 above any affiliated entity that either: (a) is a public utility or (b) transacts any business with the utility filing the annual report excluding the provision of tariff services.

4. Each annual report must be signed by a corporate officer of the utility stating under penalty of perjury under the laws of the State of California (CCP 2015.5) that the annual report is complete and accurate with no material omissions.

5. Any required material that a utility is unable to provide must be reasonably described and the reasons the data cannot be obtained, as well as the efforts expended to obtain the information, must be set forth in the utility’s Annual Affiliate Transaction Report and verified in accordance with Section I-F of Decision 93-02-019.

6. Utilities that do not have affiliated entities must file, in lieu of the annual transaction report, an annual statement to the Commission stating that the utility had no affiliated entities during the report period. This statement must be signed by a corporate officer of the utility, stating under penalty of perjury under the laws of the State of California (CCP 2015.5) that the annual report is complete and accurate with no material omissions.

(End of Attachment D)

ATTACHMENT E

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Custom Teleconnect, Inc. (U6017C)
for a Certificate of Public Convenience and
Necessity to Operate as a Provider of Resold Local
Exchange Service within California.

A.11-04-009
(Filed April 4, 2011)

**SETTLEMENT AGREEMENT BETWEEN THE CONSUMER PROTECTION
AND SAFETY DIVISION OF THE CALIFORNIA PUBLIC UTILITIES
COMMISSION AND CUSTOM TELECONNECT, INC.**

The Consumer Protection and Safety Division (CPSD) of the California Public Utilities Commission (Commission or CPUC) and Custom Teleconnect, Inc. (CTI) hereby agree on the following terms for the Settlement Agreement (Agreement) resolving issues raised in CPSD's protest of Application (A.) 11-04-009, Application of Custom Teleconnect, Inc. (U6017C) for a Certificate of Public Convenience and Necessity to expand its authority to operate as a reseller of competitive local exchange carrier services within California. The two above-mentioned parties are sometimes individually referred to as "Party" and/or collectively referred to as "the Parties."

I. JURISDICTION

1. This Commission has jurisdiction of the subject matter and the parties thereto.

II. JOINT STATEMENT OF THE CASE

The Parties submit the following joint statement of the case.

2. On April 4, 2011, CTI filed application (A.) 11-04-009, seeking to expand its authority to operate as a reseller of competitive local exchange carrier (CLEC) services, and plans to offer these in the territories currently served by AT&T California,

Verizon California, Inc., SureWest Telephone, and Citizens Telephone Company of California d/b/a Frontier Communications of California.

3. On May 23, 2011, CPSD filed a Protest to CTI's application.

4. The Parties have agreed to settle this action on the terms set forth in this Agreement. The Parties believe that the resolution is fair and reasonable and in the public interest. The Parties also believe that no further action is warranted concerning the specific violations alleged in CPSD's Protest except as provided in this Agreement and that this Agreement is in the best interests of the general public.

III. SETTLEMENT

5. The Parties enter into this Agreement pursuant to a compromise and settlement of disputed claims. Applicants enter into this Agreement of their own volition and do not admit any issue of law or fact alleged in CPSD's Protest, other than those admissions made herein. The Parties waive the right to appeal this Agreement both as to form and content.

CTI will notify the Commission via letter on the date it commences service under the authority of the Commission decision granting A.11-4-009.

For a period of two years following the effective date of the Commission decision granting A.11-04-009 ("Effective Date"), CTI will report complaints from California consumers ("Complaints") to the Deputy Director of the Consumer Protection and Safety Division ("CPSD"). The reports will be submitted on a quarterly basis. The first report will cover the time period between the effective date of the Commission decision granting A.11-04-009 ("Effective Date") and the end of the calendar quarter following the calendar quarter in which the Effective Date falls. The remaining seven (7) reports will cover the subsequent calendar quarters. The quarterly reports should provide data categorized into complaint-type categories broken down by month. These categories will be determined by CTI and will broadly cover all types of complaints received, but will specifically include a category labeled "Customer Denies Knowledge of Calls" and

“High Bills.” CTI will also be permitted to include (when available) the recorded acceptance of the call and its resolution. The reports will be submitted via email.

6. For a period of two years following the Effective Date, CTI will report the total number of billings and refunds for California consumers to the Deputy Director of CPSD. CTI will also be permitted to include whether or not the refund was a one time courtesy to the consumer and if available attach the recorded acceptance of the call. The reports will be submitted on a quarterly basis. The first report will cover the time period between the Effective Date and the end of the calendar quarter following the calendar quarter in which the Effective Date falls. The remaining seven (7) reports will cover the subsequent calendar quarters. The quarterly reports should provide the data broken down by month. The reports will be submitted via email.

7. For a period of two years following the Effective Date, CTI will report the total dollar amount billed and refunded for California consumers to the Deputy Director of CPSD. The reports will be submitted on a quarterly basis. The first report will cover the time period between the Effective Date and the end of the calendar quarter following the calendar quarter in which the Effective Date falls. The remaining seven (7) reports will cover the subsequent calendar quarters. The quarterly reports should provide the data broken down by month. The reports will be submitted via email.

8. Within one year of the Effective Date, CTI will complete a review and technical audit of its collect-call acceptance and placing equipment. CTI must monitor for accidental misreads of collect call acceptance signals which may result in unauthorized collect call charges and, if any, employ its best efforts to rectify any problems discovered. CTI will ask that its customers with stand alone inmate facility equipment do the same. Upon completion of the described review, CTI will report the methodology, findings, and results of the review to the Deputy Director of CPSD. This report will be submitted via email.

9. Prior to exercising the authority granted by any decision granting A.11-04-009, CTI agrees to amend its existing pre-recorded rate disclosure telephone message to that informs potential customers about the rates to which they will be subject.

Specifically, the message will include the phrase "Please listen to all menu options before continuing." CTI agrees to send a copy of this new message to the Deputy Director of CPSD via email.

10. Commission contact information is as follows:

U.S. Mail

California Public Utilities Commission
Julie Halligan, Deputy Director
Consumer Protection and Safety Division
505 Van Ness Avenue
San Francisco, CA 94102

Email and Phone (Note: Submit e-mail reports to both parties listed below)

Julie Halligan, Deputy Director
Consumer Protection and Safety Division
jmh@cpuc.ca.gov
415-703-1587

Yan Solopov, Analyst
Consumer Protection and Safety Division
yan@cpuc.ca.gov
415-703-5345

11. Approvals: After signing this Agreement, including prior to final approval from the Commission, the Parties shall actively support prompt approval of the Agreement and its incorporation into a decision granting A.11-04-009 such that no further Commission order is required to grant A.11-04-009. That support will include briefing, comments on the proposed decision, written and oral testimony, if necessary, appearances, and any other means as may be needed to obtain the necessary approval. The Parties agree that if the Commission does not approve the Agreement unconditionally and without modification, any party may, at its sole discretion, elect to terminate the Agreement. However, prior to any such termination, the Parties agree to negotiate in good faith with regard to any Commission-ordered changes in order to

restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

12. Compromise: The Parties agree that this Agreement represents a compromise.

13. Scope and Effect of Agreement: This Agreement represents a full and final resolution of the issues set forth in CPSD's protest of CTI's Application 11-04-009 for a Certificate of Public Convenience and Necessity to expand its authority to operate as a reseller of competitive local exchange carrier services within California, and the matters giving rise thereto, including, but not limited to, all potential claims, penalties, enforcement actions, or investigations.

14. Other Proceedings: The Parties agree that neither the Joint Statement of the Case nor anything contained in this Agreement constitutes (1) a binding admission or concession in any other proceeding or (2) except as expressly set forth herein an admission of any issue of law or fact in this proceeding. The Parties have entered into this Agreement to effect a compromise and settlement of the contested matters pending before the Commission.

IV. GENERAL TERMS

15. Severability. No individual term of this Agreement is assented to by any Party except in consideration of the Parties' assent to all other terms. Thus, the Agreement is indivisible and each part is interdependent on each and all other parts. Any party may withdraw from this Agreement if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein, subject to the good faith negotiations set forth in Paragraph 13.

16. Entire Agreement. This Agreement contains the entire Agreement and understanding concerning the subject matter hereof and supersedes and replaces all prior negotiations, proposed agreements, whether written or oral, express or implied, of any

type whatsoever. No change, addition, waiver, amendment, or modification of any of the terms or conditions hereof shall be valid or binding on either Party unless it is memorialized in writing and signed by all Parties.

17. Authority. The undersigned representatives of the respective Parties hereby acknowledge that they are empowered and authorized by the Commission, in the case of CPSD or corporate entity, in the case of CTI, to execute this Settlement Agreement and to make this Settlement Agreement binding on behalf of the Party they represent.

18. Successor and Assigns. This Agreement and all covenants set forth herein shall be binding upon and shall insure to the benefit of the respective Parties hereto, their successors, heirs, assigns, partners, representatives, executors, administrators, subsidiary companies, divisions, units, agents, attorneys, officers, and directors.

19. Interpretation. The Parties acknowledge and agree that each Party was represented by independent counsel with respect to the negotiation, preparation, and execution of this Agreement. In the event of an ambiguity in or dispute regarding the interpretation of this Agreement, such interpretation shall not be resolved by any rule for interpretation against the Party who causes the uncertainty to exist or against the draftsman.

20. Section Headings. The section headings contained in this Settlement Agreement are solely for the purpose of references, are not part of the agreement of the Parties, and shall not in any way affect the meaning of interpretation of this Settlement Agreement.

21. Further Documents. Each party shall execute, acknowledge, and deliver such other documents and instruments as are reasonably necessary to carry out the intents and purposes of this Agreement.

22. Notice. Any notice, report, request, or statement provided for in this Agreement shall be deemed sufficiently given when personally delivered or sent by

overnight delivery (e.g., Federal Express) or sent by certified or registered mail addressed to the Party for whom intended to the addresses set forth below.

If Addressed To

Send To

Consumer Protection & Safety Division

Lindsay Brown, Staff Counsel
Public Utilities Commission
505 Van Ness Avenue, Suite 4300
San Francisco, CA 94102-3298

Julie Halligan, Deputy Director
CPSD
505 Van Ness Avenue
San Francisco, CA 94102

CALIFORNIA PUBLIC UTILITIES
COMMISSION CONSUMER PROTECTION
AND SAFETY DIVISION

DATED: 10/31/12

BY: Lindsay M. Brown
Lindsay M. Brown, Public Utilities Counsel IV
California Public Utilities Commission
Attorney for CPSD

CUSTOM TELECONNECT, INC.

DATED: 10/30/12

BY: [Signature]
Thomas J. MacBride, Jr.
Goodin, MacBride, Squeri, Day & Lamprey, LLC
Attorneys for Applicants

DATED: 10/18/2012

BY: Vicki Crowder
Vicki Crowder, President
Custom Teleconnect, Inc