

Decision 16-06-020 June 9, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Silicon Business System for a Certificate of Public Convenience and Necessity to operate as a provider of limited facilities-based and resold telecommunication services in the state of California.

Application 14-05-002
(Filed May 2, 2014)

DECISION ADOPTING SETTLEMENT AGREEMENT AND GRANTING A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

Summary

By this Decision we grant Silicon Business System (SBS or “Applicant”) a Certificate of Public Convenience and Necessity to operate as a provider of limited facilities-based and resold competitive local exchange service and limited facilities-based and resold interexchange service in the state of California. In addition, we approve the Settlement Agreement (attached as Appendix I hereto) entered into between SBS and the Commission’s Safety and Enforcement Division (SED), which resolves all factual and legal issues raised by SED in its protest, imposes a \$20,000 penalty and requires SBS to make payment of past-due user fees.

As discussed below, we find the Settlement reasonably resolves all issues in the protest consistent with applicable Commission rules and criteria relating to proposed settlements. Accordingly, we approve the Settlement in its entirety and without modification. Consistent with the terms of the Settlement, we direct SBS to implement the measures prescribed in the Settlement Agreement as set forth in Appendix I. We thus require SBS to pay a penalty of \$20,000 to the

State's General Fund in monthly installments, and to pay the retroactive user fees owed to the Commission for 2013 and 2014. Concurrent with the approval of this Settlement Agreement, this proceeding is closed.

1. Discussion

On May 2, 2014, Silicon Business System (SBS or "Applicant") filed this Application for authority to provide limited facilities-based and resold local exchange and interexchange telecommunications services in the state of California pursuant to Public Utilities (Pub. Util.) Code section 1001¹. On June 6, 2014, the Safety and Enforcement Division (SED) filed a protest to the application because the Applicant had been operating a pre-paid phone card business in California without legal authority to do so. The Applicant confirms that it has been operating without authority since March 2008.

On August 7, 2015, the assigned Administrative Law Judge (ALJ) issued a ruling setting a prehearing conference (PHC) for August 20, 2015 in the Commission's San Francisco courtroom. The scope and schedule of the proceeding, as well as SED's protest, were discussed with the parties, and the Applicant was directed to file an amended Application which fully conformed to the requirements of Decision (D.) 13-05-035. An amended Application was filed on September 8, 2015. A telephonic status conference was held on October 8, 2015, where it was reported that most of the issues raised in SED's protest were resolved in the amended Application. There were remaining concerns regarding the quality of customer service provided by the Applicant, and the parties were working cooperatively to resolve them.

On January 7, 2016, the parties filed a Joint Motion for Approval of Settlement Agreement in which SED confirmed that all issues relating to the protest have been resolved.

2. Terms of the Settlement Agreement

In order to resolve the legal issues raised in its protest, SBS will pay a \$20,000 penalty, in monthly installments, to the State of California General Fund, and agrees to be bound by the Commission's rules, orders and procedures. In addition, SBS will pay \$250 in retroactive user fees and interest for 2013 and 2014. In consideration thereof, the Commission hereby issues Certificate of Public Convenience and Necessity (CPCN) number U-7302-C to SBS.

3. Standard for Approving a Settlement Agreement

In accordance with Article 12 of the Commission's Rules of Practice and Procedure (Rules), the Commission will only adopt and approve a Settlement Agreement if it finds the Settlement is reasonable in light of the whole record, consistent with the law and in the public interest. The Settlement Agreement in this proceeding meets these requirements, as discussed below.

4. The Settlement is Reasonable in Light of the Record as a Whole

In assessing the reasonableness of a Settlement, we consider the savings that it offers in terms of expenses and use of resources, compared to the risk, expense, complexity and likely duration of further proceedings. (*In re Southern California Gas Co.*, D.00-09-034 at 20-21).

There is a strong public policy favoring the settling of disputes to avoid costly and protracted litigation. Generally, the parties' evaluations carry material weight in the Commission's review of a settlement. The Settlement was reached

¹ All statutory references are to the Public Utilities Code unless otherwise indicated.

after considerable negotiation and substantial concessions by the parties to cooperatively resolve the contested issues. We therefore conclude that the Settlement Agreement is reasonable in light of the record as a whole.

5. The Settlement is Consistent with the Law

The Settlement Agreement requires SBS to make payments to the State General Fund of a \$20,000 penalty and \$250 in retroactive user fees and interest to the Commission. Nothing in this Agreement conflicts with any applicable laws, or Commission rules or regulations. The Settlement Agreement is governed by the laws of the State of California, is intended to enforce California law, and does not violate any existing statutes. We therefore find that the Settlement Agreement is consistent with the law.

6. The Settlement is In the Public Interest

The Settlement, if approved by the Commission, will reduce the time, cost and uncertainty associated with continued litigation. As the parties to the Settlement represent utility and consumer interests, the Settlement is in the public interest.

7. Conclusion

The Settlement reduces the costs and uncertainties of continued litigation, and does not contravene existing law or bind the Commission to future action. It can therefore be found the Settlement is reasonable in light of the whole record, consistent with the law and in the public interest. It must then be determined whether the Applicant satisfies the Commission's requirements for issuance of a CPCN.

8. Application Background

On May 2, 2014, SBS, a Nevada corporation authorized to do business in California, filed an Application for a CPCN pursuant to Pub. Util. Code § 1001 to

provide limited facilities-based and resold local exchange and limited facilities-based and resold interexchange telecommunications services in the service territories of Pacific Bell Telephone Company d/b/a AT&T California (AT&T), Verizon California, Inc. (now Frontier),² Citizens Telecommunications Company of California d/b/a Frontier Communications of California (Citizens), and SureWest Telephone³ (SureWest). SED filed a timely protest on the basis that SBS was providing prepaid calling card services in California without authorization.

On August 20, 2015, a PHC was held in the Commission's San Francisco courtroom to consider the Application and protest and determine the scope and schedule of the proceeding. On September 8, 2015, an amended Application was filed which clarified the services sought to be provided are limited facilities-based and resold competitive local exchange service and limited facilities-based and resold interexchange service on a statewide basis. The amended Application stated SBS began providing international and domestic calling card services in January 2008, including intrastate calls within California, but SBS suspended the intrastate calling capability on July 20, 2014. Upon approval of the Application, SBS will resume providing intrastate calling card services. SBS also provides interconnected voice over internet protocol (VoIP) services to one customer in

² Decision No. 15-12-005 approved Application 15-03-005, the Joint Application of Frontier Communications Corporation, Frontier Communications of America, Inc. (U-5429-C), Verizon California, Inc. (U-1002-C), Verizon Long Distance LLC (U-5732-C), and Newco West Holdings LLC for Approval of Transfer of Control Over Verizon California, Inc. and Related Approval of Transfer of Assets and Certifications. Effective April 1, 2016, Verizon California Inc., became Frontier California Inc. (U-1002-C).

³ SureWest Telephone is now Consolidated Communications of California Company. Name change from SureWest to Consolidated Communications of California Company was filed via Advice Letter and effective 1/1/2016.

California. SBS's principal place of business is located at 435 N. Alhambra Avenue #D, Monterey Park, CA 91755.

9. Jurisdiction

Pub. Util. Code § 216(a) defines the term "Public utility" to include a "telephone corporation," which in turn is defined in Pub. Util. Code § 234(a) as "every corporation or person owning, controlling, operating, or managing any telephone line for compensation within this state."

SBS proposes to provide limited facilities-based and resold local and interexchange services within California. SBS is a telephone corporation and a public utility subject to our jurisdiction.

10. California Environmental Quality Act (CEQA)

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 SBS states that it does not intend to construct any facilities other than equipment to be installed in existing buildings or structures, it can be seen with certainty that there is no possibility that granting this Application will have an adverse impact upon the environment. Before it can construct facilities other than equipment to be installed in existing buildings or structures, SBS must file for additional authority, and submit to any necessary CEQA review.

11. Financial Qualifications

To be granted a CPCN, an applicant for authority to provide limited-facilities based and resold local exchange and interexchange services must demonstrate that it has a minimum of \$100,000 cash or cash equivalent to

meet the firm's start-up expenses.⁴ An applicant must also demonstrate that it has sufficient additional resources to cover all deposits required by local exchange carriers (LECs) and/or interexchange carriers (IECs) in order to provide the proposed service.⁵ In the Application, SBS provided bank statements and a sworn personal guarantee of the principal that \$125,000 would be available to SBS for one year following certification. Since SBS has provided documentation that it possesses a minimum of \$100,000 that is reasonably liquid and available, it has demonstrated that it has sufficient funds to meet its start-up expenses and has fulfilled this requirement.

SBS proposed to initially interconnect with AT&T, Frontier, Citizens, and SureWest. As stated above, SBS has provided documentation that it has the funds available for the deposit required by AT&T, Frontier, Citizens, and SureWest. Therefore, no additional resources are required at this time to cover deposits.

12. Technical Qualifications

To be granted a CPCN for authority to provide local exchange and interexchange service, an applicant must make a reasonable showing of managerial and technical expertise in telecommunications or a related business.⁶ SBS supplied biographical information on its management in Exhibit A to its

⁴ The financial requirement for Competitive Local Exchange Carriers (CLEC) is contained in D.95-12-056, Appendix C. The financial requirement for Non-Dominant Interexchange Carriers (NDIEC) is contained in D.91-10-041.

⁵ The requirement for Competitive Local Carrier (CLC) applicants to demonstrate that they have additional financial resources to meet any deposits required by underlying Local Exchange Carriers (LEC) and/or IECs is set forth in D.95-12-056, Appendix C. For NDIECs, the requirement is found in D.93-05-010.

⁶ D. 95-12-056 at Appendix C, Rule 4.A.

Application that demonstrated that it has sufficient expertise and training to operate as a telecommunications provider.

In its Application, SBS verified that no one associated with or employed by SBS as an affiliate, officer, director, partner, or owner of more than 10% of SBS was previously associated with a telecommunications carrier that filed for bankruptcy, 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. The Application noted the investigation by SED of the unauthorized provision of calling card services. SED and the applicant have now entered into a settlement resolving this issue, and SED no longer protests the Application. For the above reasons, we find that SBS is in compliance with the requirements of D.95-12-056.

13. Tariffs

The Application requests authorization to provide service on a detariffed basis to the extent permitted under Industry Rule 5 of General Order 96-B. We have granted this authority to other applicants, and do so here.

14. Map of Service Territory

To be granted a CPCN for authority to provide local exchange service, an applicant must provide a map of the service territories it proposes to serve.⁷ In

⁷ D.95-12-056 at Appendix C, Rule 4.E.

Exhibit D to its Application, SBS provided a map of the location of its proposed service territory, in compliance with this requirement.

15. Expected Customer Base

SBS provided its estimated customer base for the first and fifth years of operation in section XIX of its Application. Therefore, SBS has complied with this requirement.

16. Request for Treatment as a Non-Dominant Carrier

Applicant requests treatment as an NDIEC, which would include exemption from the requirements of Pub. Util. Code §§ 816-830 concerning stocks and security and § 851 concerning the encumbrance and transfer of utility property. The Commission detailed its rules regarding exemption of non-dominant carriers in D.85-01-008, and subsequently modified in D.85-07-081 and D.85-11-044. We grant Applicant's request for NDIEC status, provided that they follow all rules detailed in the above referenced decisions.⁸

17. Motion for Confidentiality

Pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure, SBS filed a motion for leave to file Exhibit E to the application as confidential material under seal. SBS represents that the information is sensitive, and disclosure could place SBS at an unfair business disadvantage. We have granted similar requests in the past and do so here.

⁸ While the Commission has granted exemption from §§ 816 - 830 to others, exemption from §§ 851 - 854 has not been granted previously and is not granted here.

18. Safety Considerations

Adoption of the settlement agreement and granting a CPCN will ensure the Applicant will provide telecommunications services in a safe and reliable manner consistent with the Commission's decisions, rules and General Orders.

19. Conclusion

We conclude that the Application conforms to our rules for certification as a competitive local exchange and interexchange carrier. Accordingly, we grant SBS a CPCN to provide full facilities-based and resold local exchange telecommunications service in the service territory of Pacific Bell Telephone Company d/b/a AT&T California, Frontier California, Inc. (formerly Verizon California Inc.), Citizens Telecommunications Company of California, Inc. d/b/a Frontier Communications of California, and Consolidated Communications of California Company (formerly SureWest Telephone), and interexchange service in California subject to compliance with the terms and conditions set forth in the Ordering Paragraphs.

The CPCN granted by this decision provides benefits to SBS and corresponding obligations. SBS receives authority to operate in the prescribed service territory, it can request interconnection with other telecommunications carriers in accordance with Section 251 of the Federal Communications Act (47 U.S.C. 251), and it receives access to public rights-of-way in California as set forth in D.98-10-058 subject to the CEQA requirements set forth in this decision. In return, SBS is obligated to comply with all applicable Public Utilities Codes and Commission Rules, General Orders, and decisions applicable to telecommunications carriers providing approved services. The applicable Codes, Rules, etc. include, but are not limited to consumer protection rules, tariffing, and reporting requirements. Moreover, SBS is obligated to pay all Commission

prescribed user fees and public purpose program surcharges as set forth in the Appendix B of this decision, to comply with CEQA, and to adhere to Pub. Util. Code § 451 which states that every public utility "...shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in Section 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

20. Categorization and Need for Hearing

On May 15, 2014, pursuant to resolution ALJ 176-3336, this proceeding was preliminarily categorized as ratesetting and it was determined that no hearings would be necessary. On June 6, 2014, SED filed a protest to the application. Given the filing of the Settlement between SED and SBS, there is no need for a hearing in this matter and the preliminary determination is unchanged.

21. Comments on Proposed Decision

This is now an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

22. Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and Dan H. Burcham is the assigned ALJ in this proceeding.

Findings of Fact

1. Notice of the Application appeared on the Daily Calendar on May 7, 2014. A protest was filed by the Commission's SED on June 6, 2014. A PHC was held on August 20, 2015.

2. SBS is a telephone corporation and a public utility as defined in Pub. Util. Code §§ 234(a) and 216(a).

3. SBS operated without authority in violation of Pub. Util. Code §§ 885 and 1013 beginning March 2008, approximately six years before filing this Application.

4. On January 5, 2016, SBS and SED reached a settlement which resolves all of the issues in the protest filed by SED.

5. SBS agrees to pay a fine of \$20,000 and retroactive user fees and interest totaling \$250 for operating without authority in violation of Pub. Util. Code §§ 885 and 1013.

6. SBS will pay its user fees for 2015 in 2016.

7. SBS has a minimum of \$100,000 of cash or cash equivalent that is reasonably liquid and readily available to meet its start-up expenses.

8. SBS has sufficient additional cash or cash equivalent to cover deposits that may be required by other telecommunications carriers in order to provide the proposed service.

9. SBS's management possesses sufficient experience, knowledge, and technical expertise to provide local exchange services to the public.

10. No one associated with or employed by SBS as an affiliate, officer, director, partner, or owner of more than 10% of SBS was: previously associated with a telecommunications carrier that filed for bankruptcy; was sanctioned by the Federal Communications Commission or any state regulatory agency for failure to comply with any regulatory statute, rule, or order; or was previously associated with any telecommunication carrier that 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, other than as indicated in Finding of Fact 5.

11. The Application requests authorization to provide service on a detariffed basis to the extent permitted under Industry Rule 5 of General Order 96-B.

12. SBS provided a map of the location of its proposed service territory.

13. SBS provided an estimate of its customer base for the first and fifth year of operation.

14. Pursuant to Rule 11.4, SBS filed motions for leave to file confidential materials under seal, including Exhibit E to the application.

Conclusions of Law

1. The terms of the settlement agreement entered into between SBS and SED are reasonable in light of the whole record, consistent with the law and in the public interest, and the settlement agreement should be approved.

2. SBS should be subject to a fine of \$20,000 for operating without authority beginning March 2008 in violation of Pub. Util. Code §§ 885 and 1001, as scheduled in the ordering paragraphs of this decision.

3. SBS should be required to pay \$250 in retroactive user fees and interest for 2013 and 2014.

4. SBS should be granted a CPCN to provide resold and limited facilities-based local exchange telecommunications service in the service territories of Pacific Bell Telephone Company d/b/a AT&T California, Frontier California, Inc. (formerly Verizon California Inc.), Citizens Telecommunications Company of California, Inc. d/b/a Frontier Communications of California, and Consolidated Communications of California Company (formerly SureWest Telephone) and interexchange service in California, subject to the terms and conditions set forth in the Ordering Paragraphs.

5. The authority granted in this order is contingent on paying a fine of \$20,000 to the General Fund.

6. SBS, once granted a CPCN, should be subject to the applicable Commission rules, decisions, General Orders, and statutes that pertain to California public utilities.

7. SBS should be permitted to operate on a detariffed basis to the extent permitted under Industry Rule 5 of General Order 96-B.

8. SBS's motion to file under seal its Exhibit E to the Application should be granted for three years.

9. SBS should be granted non-dominant carrier status, subject to Commission rules and regulations as detailed in D.85-01-008 and modified in D.85-07-081 and D.85-11-044.

ORDER

IT IS ORDERED that:

1. The settlement agreement attached hereto as Appendix I and entered into between Silicon Business System and the Commission's Safety and Enforcement Division is approved.

2. Within 30 days of the effective date of this decision, Silicon Business System (SBS) shall pay the first monthly installment penalty payment of \$416.98, payable on or before the 15th of each month, with subsequent payments in the amount of \$416.66, until a total penalty of \$20,000 has been paid. Payments shall be made by check or money order payable to the State of California General Fund, and mailed or delivered to the Commission's Fiscal Office at 505 Van Ness Avenue, San Francisco, CA 94102. Payor shall write on the face of the check or money order "pursuant to Decision 16-06-020." SBS shall be in default if payment is not made within five days of the due date, and shall then be

liable to pay the remaining penalty in full within 30 days of the default, and the Safety and Enforcement Division may seek revocation of SBS's Certificate of Public Convenience and Necessity.

3. Within 30 days of the effective date of this decision, Silicon Business System shall submit surcharge reports to the Communication's Division and pay user fees and interest for 2013 and 2014 totaling \$250. These fees shall be paid by check or money order payable to the California Public Utilities Commission and mailed or delivered to the Commission's Fiscal Office at 505 Van Ness Avenue, San Francisco, CA 94102. Payor shall write on the face of the check or money order "payment of User Fees pursuant to Decision 16-06-020."

4. A Certificate of Public Convenience and Necessity is granted to Silicon Business System to provide limited facilities-based local exchange and resold telecommunications services in the territories of Pacific Bell Telephone Company d/b/a AT&T California, Frontier California, Inc. (formerly Verizon California Inc.), Citizens Telecommunications Company of California, Inc. d/b/a Frontier Communications of California, and Consolidated Communications of California Company (formerly SureWest Telephone), and interexchange telecommunications services statewide subject to the terms and conditions set forth below.

5. The corporate identification number assigned to Silicon Business System, U-7302-C, must be included in the caption of all original filings with this Commission, and in the titles of other pleadings filed in existing cases.

6. The certificate granted by this order will expire if not exercised within 12 months of the effective date of this order.

7. Silicon Business System (SBS) 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, SBS 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.

8. Silicon Business System 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.

9. In addition to all the requirements applicable to competitive local exchange carriers and interexchange carriers included in Attachments B, C, and D to this decision, Silicon Business System is subject to the Consumer Protection Rules contained in General Order 168, and all applicable Commission rules, decisions, General Orders, and statutes that pertain to California public utilities.

10. Silicon Business System must file, in this docket, a written acceptance of the certificate granted in this proceeding within 30 days of the effective date of this order.

11. Silicon Business System must pay the public purpose surcharges specified in Attachment B. Per the instructions in Exhibit E to Decision 00-10-028, the Combined California Public Utilities Commission Telephone Surcharge Transmittal Form must be submitted even if the amount due is \$0.

12. Silicon Business System must pay the user fee specified in Attachment B. Silicon Business System must pay a minimum user fee of \$100 or 0.23% of gross intrastate revenue, whichever is greater. Under Public Utilities Code Section 405, carriers that are in default of reporting and submitting user fees for a period of 30 days or more will be subject to penalties including suspension or revocation of their authority to operate in California.

13. Prior to initiating service, Silicon Business System 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.

14. Prior to initiating service, Silicon Business System must provide the Commission's Communications Division with the name and address of its designated regulatory/official contact persons(s). This information must be provided electronically, using the "Regulatory/Official Contact Information Update Request" found at <http://www.cpuc.ca.gov/communications>. This information must be updated if the name or telephone number changes, or at least annually.

15. Silicon Business System 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.

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

17. Silicon Business System must file an annual report with the Director of the Communications Division, in compliance with General Order 104-A, on a calendar-year basis with the information contained in Attachment C to this decision.

18. Silicon Business System may operate on a detariffed basis to the extent permitted by Industry Rule 5 of General Order 96-B.

19. Silicon Business System's (SBS) motion to file under seal its Exhibit E 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 SBS believes that it is necessary for this information to remain under seal for longer than three years, SBS may file a new motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

20. Application 14-05-002 is closed.

This order is effective today.

Dated June 9, 2016, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners

ATTACHMENT A

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(END OF ATTACHMENT A)

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,⁹ a written acceptance of the certificate granted in this proceeding within 30 days of the effective date of this order.

2. The certificate granted by this order will expire if not exercised within 12 months of the effective date of this order.

3. 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.

⁹ Written acceptance filed in this docket does not reopen the proceeding.

Note: These fees change periodically. In compliance with Resolution T-16901, December 2, 2004, Applicant must check 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/general.aspx?id=1124>

- 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/surcharges>.
- 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. Instructions for reporting and filing are available at <http://www.cpuc.ca.gov/General.aspx?id=1009>.
Please call (415) 703-2470 for questions regarding User Fee reporting and payment.

4. 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).

5. 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).

6. Tariff filings must reflect all fees and surcharges to which Applicant is subject, as reflected in #3 above.

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

8. 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 five days of acceptance of its 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.

9. 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.

10. 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. In addition, Applicant must provide the Commission's Communications Division with the name and address of its designated regulatory/official contact persons(s). This information must be provided electronically, using the "Regulatory/Official Contact Information Update Request" found at <http://www.cpuc.ca.gov/communications>. This information must be updated if the name or telephone number changes, or at least annually.

11. 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.

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.

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

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

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)

APPENDIX I

SETTLEMENT AGREEMENT BY AND BETWEEN
SILICON BUSINESS SYSTEMS
AND THE
SAFETY AND ENFORCEMENT DIVISION
OF THE
CALIFORNIA PUBLIC UTILITIES COMMISSION
EXECUTED JANUARY 5, 2016

SETTLEMENT AGREEMENT

The Safety and Enforcement Division (“SED”) of the California Public Utilities Commission (“Commission”), and Silicon Business System, Inc. and its predecessors, successors, affiliates, and assigns (“SBS” or “Applicant”) hereby agree to the following terms of a settlement (“Settlement”) resolving all issue raised by SED’s Protest of SBS’ Application for a Certificate of Public Convenience and Necessity (“CPCN) to operate as a provider of limited facilities-based and resold telecommunication services in the State of California, A.14-05-002 (“Application”). SED and SBS (jointly referred to as the “Parties”) enter into this Settlement in order to avoid the costs and risks of further litigation and to expeditiously resolve this matter,

I. JOINT FACTUAL STATEMENT

1. SBS is a corporation operating and existing under the laws of the State of Nevada, with an active registration with that State since May 28, 2008. SBS seeks authority to operate as a provider of limited facilities-based and resold telecommunications services in the State of California. On November 5, 2012, SBS obtained qualifying status from the California Secretary of State to transact intrastate business in California.

2. SBS filed application A.14-05-002 on May 02, 2014 for a CPCN to operate as a provider of limited facilities-based and resold telecommunications services in the State of California pursuant to Section 1001 of the Public Utilities Code.

3. In discussing the technical and managerial competence of SBS’ CEO, Matt Liu, in its Application, SBS referenced a website in which the results of the telecommunication software developed by Mr. Liu could be viewed. The website’s address is <http://www.potatoboy.com> and SED’s review of the website content revealed sales of VOIP and prepaid phone card services.

SBS stated that it has sold prepaid calling card services since March 2008 in California. The Company has also engaged in VOIP international wholesale for commercial business and has one customer for VOIP retail home service. SBS indicated that it has not sold VOIP services to customers in California.

4. During the course of the Application review, SED asked SBS to confirm the entity and ownership for the operator of the website of potatoboy.com. The Applicant initially indicated that potatoboy.com was an affiliate of SBS and that this business was owned by Matt Liu as a sole proprietor. Mr. Liu indicated in a later communication to SED that potatoboy.com was operated by SBS as of November 2012.

5. After reviewing SBS's Application, SED protested the Application on June 6, 2014. SED's Protest alleged that (1) SBS violated California Public Utilities ("Pub. Util.") Code Sections 885 and 1013 by operating in California without Commission authority from November 5, 2012 to the present; and (2) SBS' failure to operate in compliance with the law raises questions about SBS' fitness to operate in California. SED also recommended that the Commission consider imposing a penalty on SBS for failure to comply with Pub. Util. Code §§ 885 and 1013.

6. After filing its protest, SED completed its review of SBS' prepaid phone card operations and found that, contrary to Matt Liu's prior communication to SED, SBS operated its prepaid phone card business prior to November 2012, as its filings with both the Internal Revenue Service and Federal Communications Commission for its business activity in 2011 were under SBS. In addition, SED's review found violations of various sections of the Business and Professions ("B&P") Code §17538.9.

II. AGREEMENT

1. Acknowledgements. The parties agree that SBS and/or Matt Liu operated in California without Commission authority since 2008 to the present. Therefore, SBS and Matt Liu operated for over 6 years in violation of the law prior to submitting its application to the Commission.

2. The parties agree that SBS submitted its Application for a registration license of its own accord and not based on a finding from the Commission that it operated without authority, or Commission instruction to submit an application.

3. The parties further agree that Matt Liu has provided inconsistent information to SED on several instances regarding the ownership of the business operated under www.potatoboy.com and, when SBS began providing telecommunications services, creating a more difficult and prolonged investigation.

4. The parties agree that SBS violated various sections of B&P Code § 17538.9 regarding disclosure of ancillary fees and different prices, rates, or unit values applicable to international usage of a prepaid phone card on the card or packaging. SBS also failed to provide a live operator for 24 hours per day for seven days per week.

5. The parties agree that SBS has now corrected the violations, thereby resolving all issues raised by SED in its protest. SBS agrees to continue to train its staff to improve the quality of its customer service line and quality assurance. SED will continue to monitor and test SBS' customer service line in 2016 to ensure that it remains compliant with the applicable B&P Code section.

6. Penalty Payment. In order to resolve the legal issues raised by SED in its Protest, SBS will pay a penalty of \$20,000 to the State of California General Fund, contingent on the

Commission's approval of the Application. The \$20,000 penalty will be paid according to the following schedule: a) SBS will remit \$416.98 to the State of California General Fund within 30 calendar days of the date of the Commission's approval of this Agreement; and b) SBS will remit monthly payments in the amount of \$416.66 by the 15th of every month to the State of California, General Fund thereafter until the \$20,000 is paid in full.

All penalty payments shall be made payable to the California Public Utilities Commission and remitted to the Commission's Fiscal Office, 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. The payment shall indicate the decision number of the Commission decision approving the Settlement. SBS shall be deemed in default if any of the payments pursuant to this Paragraph is not made within five days following the due date. Should SBS default on any of its fine payments, the fine must be paid in full within 30 days after the default and SED may seek Commission revocation of SBS' Certificate of Public Convenience and Necessity.

7. Responsibility for Fees and Surcharges. The parties acknowledge that SED examined the issue of whether SBS would have been required to pay any user fees and/or surcharges during the time period of March 2008 to the date of this settlement. SED determined that SBS generated revenues within the state of California from March 2008 to the present and would therefore be subject to user fees for that period. SBS' user fees prior to 2013 would be less than one dollar for the total user fees combined from 2008 to 2012. Therefore, SED requires SBS only to pay the minimum user fee of \$100 for each of the years 2013 and 2014, for a total of \$200. In addition, SBS must pay a 25% interest fee for each year, for a total of \$50. SBS must file the surcharge reports for the years 2013 and 2014 and pay the user and interest fees within 30 days of the Commission's approval of the Settlement.

The parties also acknowledge that SBS will be held responsible for payment of user fees from now and into the future so long as SBS continues to operate in the State of California. The Parties acknowledge that user fees are paid annually to the Commission and are based on the Commission-established rate in effect at the time. Currently, and during the time period at issue, the annual user fee was and is set at 0.18% of gross intrastate revenue, or a minimum of \$100, whichever is greater. 0.18% of SBS's gross intrastate revenue for 2013 and 2014 equates to less than \$100. Thus, SBS must pay a user fee of \$100 each for 2013 and 2014, plus a 25% interest fee pursuant to Pub. Util. Code § 405, for a total of \$250 dollars.

SBS' user fee for 2015 will be assessed at the end of calendar year 2015 and paid in January, 2016. The user fee, with interest, of \$250 for 2013 and 2014 will be paid within 30 calendar days from the date of the Commission's approval of this agreement. Payment shall be made payable to the California Public Utilities Commission and remitted to the Commission's Fiscal Office, 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. The payment shall indicate that it is for SBS' 2013 and 2014 user fees, with interest, and include the decision number of the Commission decision approving the settlement.

IV. GENERAL PROVISIONS

1. Scope and Effect of Agreement. This Agreement represents a full and final resolution of SED's Protest, and the matters giving rise thereto. The parties understand that this Settlement Agreement is subject to approval by the Commission. As soon as practicable after the Parties have signed the Settlement Agreement, a Motion for Commission Approval and Adoption of the Settlement Agreement will be filed. The Parties agree to support the Settlement Agreement and recommend that the Commission approve it in its entirety without change. The Parties agree that, if the Commission fails to adopt the Settlement Agreement in its entirety

without material change, the Parties shall convene a settlement conference within 15 days thereof to discuss whether they can resolve any issues raised by the Commission's actions. If the Parties cannot mutually agree to resolve the issues raised by the Commission's actions, the Settlement Agreement shall be rescinded and the Parties shall be released from their obligation to support this Settlement Agreement. Thereafter, the Parties may pursue any action they deem appropriate, but agree to cooperate to establish a procedural schedule for the remainder of the proceeding.

2. Successors. This Agreement and all covenants set forth herein shall be binding upon and shall inure 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.

3. Knowing and Voluntary Execution. The Parties acknowledge each has read this Agreement, that each fully understands the rights, duties and privileges created hereunder, and that each enters this Agreement freely and voluntarily.

4. Authority to Execute Agreement. The undersigned acknowledge and covenant that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency or employment.

5. Entire Agreement. The Parties expressly acknowledge that the consideration recited in this Agreement is the sole and only consideration of this Agreement, and that no representations, promises, or inducements have been made by the Parties or any director, officer, employee, or agent thereof other than as set forth expressly in this Agreement.

6. Choice of Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California and the rules, regulations and General Orders of the California Public Utilities Commission.

7. Execution in Counterparts. This Agreement may be executed by any of the Parties in counterparts with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement. A signature transmitted by facsimile shall be regarded as an original signature.

8. Enforcement. Each material breach of this Settlement will constitute a separate violation and will entitle the Commission to take any necessary action to enforce its orders.

9. Binding Nature of Agreement. The Commission adoption of this Settlement is binding on all Parties to this action. Parties agree that pursuant to Rule 12.5 of the Commission's Rules of Practice and Procedure, this Settlement shall not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

SILICON BUSINESS SYSTEM, INC.

Dated: _____

Matt Liu
435 N Alhambra Avenue, D
Monterey Park, CA 91755

Dated: January 5, 2015

John L. Clark
Goodin, MacBride, Squeri & Day
Attorneys for Silicon Business System, Inc.

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SILICON BUSINESS SYSTEM, INC.

Dated: 1-5-16

M.H. Liu

Matt Liu
435 N Alhambra Avenue, D
Monterey Park, CA 91755

Dated: _____

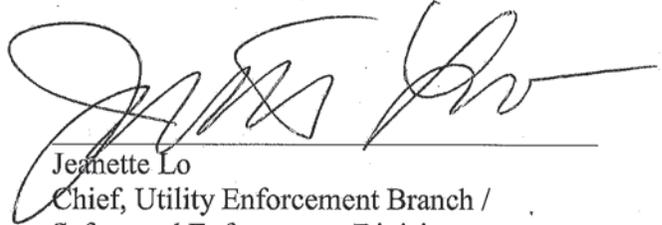
John L. Clark
Goodin, MacBride, Squeri & Day
Attorneys for Silicon Business System, Inc.

505 Sansome Street, Suite 900
San Francisco, CA 94111

SAFETY AND ENFORCEMENT
DIVISION

Dated: _____

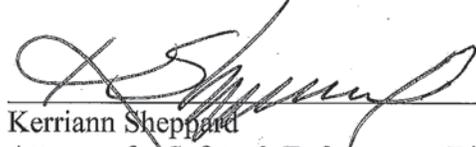
1/6/2015



Jeanette Lo
Chief, Utility Enforcement Branch /
Safety and Enforcement Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dated: _____

1/6/2015



Kerriann Sheppard
Attorney for Safety & Enforcement Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

(End of Appendix I)