

**PROPOSED DECISION**

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of SP Licenses, Inc. (U-7320-C) for  
Registration as an Interexchange Carrier  
Telephone Corporation pursuant to the  
Provisions of Public Utilities Code Section 1013.

Application 16-06-005  
(Filed June 7, 2016)

**DECISION ADOPTING ALL-PARTY SETTLEMENT AND GRANTING  
SP LICENSES, INC. A CERTIFICATE OF PUBLIC CONVENIENCE AND  
NECESSITY IN ORDER TO PROVIDE SWITCHLESS RESALE  
OF VOICE AND DATA COMMUNICATIONS STATEWIDE**

**Summary**

By this decision, we adopt the all-party Settlement Agreement, resolving all outstanding issues, and, pursuant to Public Utilities Code Section 1001, we grant SP Licenses, Inc. a certificate of public convenience and necessity to provide switchless resold interexchange service in California, pursuant to Public Utilities Code Section 1001, and subject to the terms and conditions set forth in the Ordering Paragraphs. This proceeding is closed.

**1. Background**

On June 7, 2016, SP Licenses filed Application (A.) 16-06-005 (Application), seeking Commission authority to operate in California. In its Application, SP Licenses, Inc. (SP Licenses) seeks Commission authority to operate as a switchless reseller, providing voice and data telecommunications statewide in California. SP Licenses applied for Commission authority via the simplified

application process pursuant to Public Utilities Code Section (Pub. Util. Code §) 1013. SP Licenses' principal place of business is located at 4695 Macarthur Court, Suite 930, Newport Beach, California 92660.

On July 11, 2016, the Commission's Consumer Protection and Enforcement Division (CPED) protested the Application. CPED's protest alleges that SP Licenses violated Rule 1.1 of the Commission's Rules of Practice and Procedure,<sup>1</sup> by failing to disclose in its Application that its President had been cited by the Federal Communication Commission (FCC).

While this Application was filed pursuant to Pub. Util. Code § 1013, an expedited and ministerial registration process, the protest removed it from the registration track and set it for consideration as a Certificate of Public Convenience and Necessity (CPCN) under Pub. Util. Code § 1001 per D.10-09-017.

The parties filed a joint Prehearing Conference (PHC) statement on September 1, 2016, and on September 8, 2016, a PHC was held to determine parties, discuss the scope, the schedule, and other procedural matters. SP Licenses failed to appear at the PHC. As a result, the assigned ALJ issued a ruling requesting additional information from the parties, in the form of a second PHC statement, as well as requiring the applicant to file supplemental information, because the Application does not satisfy all of the regulatory requirements set out in Decision (D.) 10-09-017, D.13-05-035, and D.14-11-004. On September 19, 2016, the parties jointly filed a second PHC statement, and SP Licenses filed its response to the Judge's request for further information. The

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<sup>1</sup> Unless otherwise identified, all references to Rules herein are to the Commission's Rules of Practice and Procedure.

assigned Commissioner issued a Scoping Memo on October 13, 2016. On October 28, 2016, CPED and SP Licenses filed a joint motion requesting adoption of a proposed settlement agreement (Settlement).<sup>2</sup>

## **2. Jurisdiction**

Pub. Util. Code § 216(a) defines the term “Public utility” to include a “telephone corporation,” which, for telecommunications carriers 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.”

SP Licenses proposes to provide switchless resold interexchange service in California, SP Licenses is a telephone corporation and a public utility subject to our jurisdiction.

SP Licenses provided certification that it is a Common Carrier as defined by § 153 of the Federal Telecommunications Act of 1996 (Act) eligible to interconnect with the public switched telephone network pursuant to § 251 and § 252 of the Act, and that if granted a CPCN, it will operate as a telephone corporation under Pub. Util. Code § 234(a), and obey the Pub. Util. Code and all Commission rules, decisions, and orders applicable to telephone corporations.

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<sup>2</sup> See Attachment A to this decision.

### 3. CPED's Protest

Under Rule 1.1, any person who transacts business with the Commission agrees to not “mislead the Commission or its staff by an artifice or false statement of fact or law.” CPED alleged that SP Licenses did not disclose in its Application that the FCC cited Jamie Christiano<sup>3</sup> of NetDot Solutions (NetDot),<sup>4</sup> for violations of the Act and the FCC’s rules. The FCC issued citation No. EB-07-TC-12635 to NetDot on July 16, 2007 (the “FCC Citation”), because NetDot allegedly delivered autodialed, prerecorded, or artificial voice messages to an emergency telephone line, a telephone line of a guest or patient room at a health care facility, or a telephone number assigned to a paging service, cellular telephone service or any service for which the called party is charged for the call.<sup>5</sup>

SP Licenses acknowledges that Rule 1.1 requires applicants to provide true and accurate information in documents filed at the Commission and that D.10-09-017 requires registrants and CPCN applicants, such as SP Licenses, to disclose whether they have been found to have “violated any statute, law, or rule pertaining to public utilities or other regulated industries.” SP Licenses states that it did not disclose the existence of the FCC Citation, because it had no knowledge of the existence of the FCC Citation at the time it filed the Application.

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<sup>3</sup> President and 60 percent shareholder of SP Licenses.

<sup>4</sup> Pursuant to Section 503(b)(5) of the Communications Act of 1934 (Act), as amended, 47 U.S.C. § 503(b)(5).

<sup>5</sup> In violation of Section 227(b)(1)(A) of the Act and Section 64.1200(a)(1) of the FCC’s rules.

SP Licenses and CPED state that all requirements of D.10-09-017, as well as the Rule 1 violation, are resolved in the proposed Settlement.

#### **4. Settlement Resolving Rule 1 Violation**

On October 28, 2016, pursuant to Rule 12.1, CPED and SP Licenses (collectively, the “Parties”) filed a joint motion requesting that the Commission approve and adopt the proposed attached Settlement, which resolves the issue presented in CPED’s protest of A.16-06-005. As discussed below, the proposed Settlement, consistent with Rule 12.1(d), is in the public interest, reasonable in light of the record, and consistent with the law.

In the proposed Settlement, SP Licenses agrees to pay a fine of \$6,000 to the State of California General Fund without accepting any liability, and CPED agrees the fine is sufficient to address the issues raised in its protest. SP Licenses also agrees to fully meet its regulatory and legal obligations in California going forward. Subject to SP Licenses’ ongoing compliance with the Settlement, and all applicable laws, and Commission rules, regulations, decisions, and orders, SP Licenses and CPED attest that the issues raised in CPED’s protest of SP Licenses’ Application will have been fully resolved.

##### **4.1. Discussion and Conclusion Regarding the Settlement**

The Commission finds that the Settlement resolves all outstanding issues between CPED and SP Licenses, complies with Commission requirements for approval of settlements (Rule 12.1(d)), because it is reasonable in light of the whole record, consistent with the law, and in the public interest. The Commission therefore adopts the Settlement as detailed in the Ordering Paragraphs of this decision.

#### **4.2. The Settlement is Reasonable in Light of the Whole Record**

This proceeding includes a full record of filed documents, including but not limited to the Joint Motion and Settlement. The Settlement was reached after careful analysis of the issues by each party involved, all of whom are knowledgeable and experienced regarding telecommunications regulatory requirements. The Settlement includes detailed instructions regarding implementation of its terms.

The Settlement is consistent with prior Commission decisions on settlements, which express a strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record. Thus, we conclude the Settlement is reasonable.

#### **4.3. The Settlement is Consistent With the Law**

The terms of the Settlement complies with all applicable statutes. Nothing in the Settlement contravenes statute or prior Commission decisions. SP Licenses acknowledges Commission Rule 1.1 applies to it, and that it failed to disclose a past FCC citation against one of its principals for lack of knowledge of the existence of the FCC Citation at the time it filed the Application. SP Licenses does not admit liability in this proceeding, but does agree to make a payment totaling \$6,000 to the State's General Fund as a result of this previously undisclosed violation. The amount of this fine is within the statutory range set by Pub. Util. Code § 2107.<sup>6</sup>

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<sup>6</sup> Any public utility that violates or fails to comply with any provision of the Constitution of this state or of this part, or that fails or neglects to comply with any part or provision of any order, decision, decree, rule, direction, demand, or requirement of the commission, in a case in

*Footnote continued on next page*

#### **4.4. The Settlement is in the Public Interest**

The Settlement is in the public interest, the interest of the parties, and resolves all items at issue in this proceeding. Approval of the Settlement avoids the cost of further litigation, and reduces the use of valuable resources of the Commission and the parties. The parties to the Settlement comprise all of the active parties in this proceeding. Thus, the Settlement commands the unanimous sponsorship of the affected parties who fairly represent the interests affected by the Settlement. We also find that the record of this proceeding contains sufficient information for us to determine the reasonableness of the Settlement. This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results. For all these reasons, we approve the Settlement.

### **5. CPCN Discussion**

#### **5.1. California Environmental Quality Act (CEQA)**

Pursuant to the CEQA<sup>7</sup> and Rule 2.4, the Commission acts as the designated lead agency to consider the environmental consequences of projects that are subject to our approval in order that adverse effects are avoided, alternatives are investigated, and environmental quality is restored or enhanced to the fullest extent possible. Since SP Licenses does not intend to construct any facilities other than equipment to be installed in existing buildings or structures,

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which a penalty has not otherwise been provided, is subject to a penalty of not less than five hundred dollars (\$500), nor more than fifty thousand dollars (\$50,000) for each offense.

<sup>7</sup> Public Resources Code § 21000 *et seq.*

granting this Application will not have an adverse impact upon the environment. Before it can construct facilities other than equipment to be installed in existing buildings or structures, SP Licenses must file for additional authority, and submit to any necessary CEQA review.

## **5.2. Financial Qualifications**

To be granted a CPCN, an applicant for authority to provide resold interexchange services must demonstrate that it has a minimum of \$25,000 cash or cash equivalent, reasonably liquid and readily available to meet the firm's start-up expenses.<sup>8</sup> An applicant must also demonstrate that it has sufficient additional resources to cover all deposits required by Local Exchange Carriers (LEC) and/or Interexchange Carriers (IEC) in order to provide the proposed service.<sup>9</sup> In the Application, SP Licenses provided supporting documentation that \$25,000 would be available to SP Licenses for one year following certification. Since SP Licenses has provided documentation that it possesses a minimum of \$25,000 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. The SP Licenses financial documentation will be subject to verification and review by the Commission for one year to ensure that such funds continue to be available.

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<sup>8</sup> The financial requirement for Competitive Local Exchange Carriers is contained in D.95-12-056, Appendix D. The financial requirement for Non-Dominant Interexchange Carriers (NDIEC) is contained in D.91-10-041.

<sup>9</sup> The requirement for Competitive Local Carrier applicants to demonstrate that they have additional financial resources to meet any deposits required by underlying Local Exchange Carrier and/or Interexchange Carrier is set forth in D.95-12-056, Appendix D. For NDIECs, the requirement is found in D.93-05-010.



SP Licenses must obtain a performance bond of at least \$25,000 in accordance with D.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 CPCN, SP Licenses must submit a Tier-1 advice letter to the Director of Communications, containing a copy of the license holder's executed performance bond, and subsequently submit a Tier-1 advice letter annually, but not later than March 31 of each year, with a copy of the executed bond.

SP Licenses must not allow its performance bond to lapse during any period of its operation. Pursuant to D.13-05-035, the Commission may revoke its CPCN if SP Licenses is more than 120 days late in providing the Director of the Communications Division a copy of its executed performance bond and has not been granted an extension of time by the Communications Division.

No additional resources are required at this time to cover deposits.

### **5.3. Technical Qualifications**

To be granted a CPCN for authority to provide competitive local exchange and interexchange service, an applicant must make a reasonable showing of managerial and technical expertise in telecommunications or a related business.<sup>10</sup> SP Licenses supplied biographical information on its management in Exhibits C and D to the Application that demonstrated that it has sufficient expertise and training to operate as a telecommunications provider.

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<sup>10</sup> D. 95-12-056 at Appendix D, Rule 4.A.

Except as discussed above and resolved by the Settlement, no one associated with or employed by it as an affiliate, officer, director, partner, or owner of more than 10 percent of SP Licenses: (a) held one of these positions with a company that filed for bankruptcy; (b) been personally found liable, or held one of these positions with a company that has been found liable, for fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others; (c) been convicted of a felony; (d) been the subject of a criminal referral by judge or public agency; (e) had a telecommunications license or operating authority denied, suspended, revoked, or limited in any jurisdiction; (f) personally entered into a settlement, or held one of these positions with a company that has entered into settlement of criminal or civil claims involving violations of §§ 17000, et seq., §§ 17200, et seq., or §§ 17500, et seq., of the California Business & Professions Code, or of any other statute, regulation, or decisional law relating to fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others; or (g) been found to have violated any statute, law, or rule pertaining to public utilities or other regulated industries; or (h) entered into any settlement agreements or made any voluntary payments or agreed to any other type of monetary forfeitures in resolution of any action by any regulatory body, agency, or attorney general.<sup>11</sup>

As discussed above, SP Licenses initially failed to report a prior FCC violation which was the subject of CED's Protest. SP Licenses and CPED entered into a settlement that resolved outstanding issues among the parties. With

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<sup>11</sup> These certifications are required by D.13-05-035, Ordering Paragraph 14.

adoption of the Settlement, we find that SP Licenses is now in compliance with the requirements of D.95-12-056.

#### **5.4. Tariffs**

Because SP Licenses plans on providing only resold interexchange services it is exempt from the requirement to file tariffs, provided that SP Licenses complies with the consumer protection rules identified in D.98-08-031.

#### **5.5. Safety Considerations**

With the adoption of the *Safety Policy Statement of the California Public Utilities Commission* on July 10, 2014, the Commission has, among other things, heightened its focus on the potential safety implications of every proceeding. We have considered the potential safety implications here. We feel satisfied that SP Licenses will meet the Commission's minimum safety goals and expectations of CLEC's because: (1) SP Licenses has taken steps to meet the financial requirements as set forth in this decision for a facilities-based CLEC, and (2) SP Licenses is a public utility that is required pursuant to Pub. Util. Code § 451 to "... furnish and maintain such adequate, efficient, just and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities ... as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

#### **5.6. Conclusion**

We conclude that the Application conforms to our rules for certification as a competitive local exchange and interexchange carrier. Accordingly, we grant SP Licenses a CPCN to provide resold interexchange service subject to compliance with the terms and conditions set forth in the Ordering Paragraphs.

The CPCN granted by this decision provides benefits to SP Licenses and corresponding obligations. SP Licenses receives authority to operate in the

prescribed service territory and this authority enables SP Licenses, pursuant to section 251 of the 1934 Communications Act, as amended by the 1996 Telecommunications Act (47 U.S.C. 251) , to interconnect with telecommunications carriers.<sup>12</sup> This authority also enables SP Licenses to obtain 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, SP Licenses is obligated to comply with all applicable Public Utilities Codes and Commission Rules, General Orders, and decisions applicable to telephone corporations providing approved services. The applicable statutes, rules, General Orders, and decisions, but are not limited to consumer protection rules, tariffing, and reporting requirements. Moreover, SP Licenses is obligated to pay all Commission prescribed user fees and public purpose program surcharges as set forth in the Appendix C of this decision, to comply with CEQA, and to adhere to Pub. Util. Code § 451 which states that every public SP Licenses, Inc. "...shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in § 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

In its original filing on June 7, 2016, SP Licenses requested that its Exhibit F - Financial Information, be filed under seal pursuant to D.97-09-035.<sup>13</sup>

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<sup>12</sup> The California Public Utilities Code uses the term "telephone corporation." Its counterpart in federal law is a "telecommunications carrier."

<sup>13</sup> In D.97-09-035, the Commission ordered that qualifying financial information submitted in support of a registration application by an NDIEC may be submitted under seal.

We have granted similar requests in the past and do so here, as detailed in the ordering paragraphs herein.

All rulings made by the assigned Commission and ALJ are affirmed herein.

## **6. Categorization and Need for Hearings**

In Resolution ALJ 176-3380, dated June 23, 2016, the Commission preliminarily categorized this Application as rate-setting, and preliminarily determined that hearings were not necessary. As discussed above, CPED filed a protest on July 11, 2016. Subsequently, a PHC was held, the issues were resolved without the need for evidentiary hearings. Therefore, the preliminary categorization and the determination that there is no need for hearings remain the same.

## **7. Waiver of Comment Period**

As this decision adopts an all-party settlement, this is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to § 311(g)(2) of the Pub. Util. Code and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

## **8. Assignment of Proceeding**

Liane Randolph is the assigned Commissioner and Darcie L. Houck is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. SP Licenses is a telephone corporation and a public utility as defined in Pub. Util. Code § 234(a) and § 216(a).
2. On July 11, 2016, CPED filed a protest, stating, in part, that SP Licenses had violated Rule 1.1 by failing to disclose required information in its Application, i.e., that its President had been cited by the FCC.

3. On August 18, 2016, CPED and Applicants filed and served their Joint Motion for Adoption of Proposed Settlement Agreement. Attached to the Joint Motion is the Settlement Agreement.

4. The parties to the Settlement include all parties, and are fairly reflective of the affected interests.

5. No term of the Settlement contravenes statutory provisions or prior Commission decisions.

6. The Settlement conveys to the Commission sufficient information to permit it to adopt the Settlement and grant the relief requested in the Application.

7. The Settlement is reasonable in light of the record, is consistent with law, and is in the public interest.

8. SP Licenses' authority to provide telecommunications services will not have a significant adverse effect upon the environment.

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

10. SP Licenses has sufficient additional cash or cash equivalent to cover deposits that may be required by other telephone corporations in order to provide the proposed service.

11. SP Licenses' management possesses sufficient experience, knowledge, and technical expertise to provide local exchange services to the public.

12. Except for the Settlement adopted by this decision, no one associated with or employed by SP Licenses as an affiliate, officer, director, partner, agent, or owner of more than 10 percent of SP Licenses: (a) held one of these positions with a company that filed for bankruptcy; (b) been personally found liable, or held one of these positions with a company that has been found liable, for fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others;

(c) been convicted of a felony; (d) been the subject of a criminal referral by judge or public agency; (e) had a telecommunications license or operating authority denied, suspended, revoked, or limited in any jurisdiction; (f) personally entered into a settlement, or held one of these positions with a company that has entered into settlement of criminal or civil claims involving violations of §§ 17000, et seq., §§ 17200, et seq., or §§ 17500, et seq., of the California Business & Professions Code, or of any other statute, regulation, or decisional law relating to fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others; or (g) been found to have violated any statute, law, or rule pertaining to public utilities or other regulated industries; or (h) entered into any settlement agreements or made any voluntary payments or agreed to any other type of monetary forfeitures in resolution of any action by any regulatory body, agency, or attorney general.

13. The President of SP Licenses had previously been cited by the FCC and the Applicant failed to report the citation. The Settlement requires SP Licenses to pay a penalty for failure to disclose the citation and to comply with all laws, rules and regulations applicable as a regulated entity under California and federal law.

14. SP Licenses is eligible for exemption from tariffing requirements and must observe the consumer protection rules adopted in D.98-08-031.

15. In its original filing on June 7, 2016, SP Licenses requested that its Exhibit F - Financial Information, be filed under seal pursuant to D.97-09-035.

### **Conclusions of Law**

1. The Settlement is reasonable in light of the whole record, consistent with law, in the public interest and should be approved.

2. SP Licenses should fully meet its regulatory and legal obligations in California in the future.

3. SP Licenses should pay \$6,000 to the State of California General Fund.
4. SP Licenses should be granted a CPCN to provide resold interexchange service in California, subject to the terms and conditions set forth in the Ordering Paragraphs.
5. SP Licenses, once granted a CPCN, should be subject to the applicable Commission rules, decisions, General Orders, and statutes that pertain to California public utilities.
6. SP Licenses plans on providing only resold interexchange services, therefore it is exempt from the requirement to file tariffs, provided that SP Licenses complies with the consumer protection rules identified in D.98-08-031.
7. SP Licenses should obtain a performance bond of at least \$25,000 in accordance with D.13-05-035. The performance bond should 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 CPCN, SP Licenses should submit a Tier-1 advice letter to the Director of Communications, containing a copy of the license holder's executed performance bond, and subsequently submit a Tier-1 advice letter annually, but not later than March 31 of each subsequent, with a copy of the executed bond.
8. SP Licenses should not allow its performance bond to lapse during any period of its operation. Pursuant to D.13-05-035, the Commission may revoke a CPCN if SP Licenses is more than 120 days late in providing the Director of the Communications Division a copy of its executed performance bond and has not been granted an extension of time by the Communications Division.
9. SP Licenses should be granted an exemption from the requirement to file tariffs.



10. Pursuant to D.97-09-035, we grant SP Licenses request as detailed in the ordering paragraphs herein.

## O R D E R

### IT IS ORDERED that:

1. The All-Party Settlement Agreement filed jointly by the Commission's Consumer Protection and Enforcement Division and SP Licenses, Inc., attached to this decision as Attachment A, is adopted.

2. SP Licenses, Inc. must fully meet its regulatory and legal obligations in California in the future.

3. SP Licenses, Inc., must pay a penalty of \$6,000 within 30 days of the effective date of this decision by check or money order payable to the California Public Utilities Commission (Commission) and mailed or delivered to the Commission's Fiscal Office at 505 Van Ness Avenue, San Francisco, California 94102. SP License, Inc., must write on the face of the check or money order "For deposit to the State of California General Fund per Decision xxx."

4. A certificate of public convenience and necessity is granted to SP Licenses, Inc., to provide resold interexchange service in California, subject to the terms and conditions set forth in Ordering Paragraph 5 through 14.

5. The corporate identification number assigned to SP Licenses, Inc., U-7320-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. SP Licenses, Inc. 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. Written acceptance filed in this docket does not reopen the proceeding.

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

8. SP Licenses, Inc. (SP Licenses) 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, SP Licenses, 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, with a copy of the executed bond.

9. SP Licenses, Inc. (SP Licenses) 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 SP Licenses is more than 120 days late in providing the Director of the Communications Division a copy of its executed performance bond and has not been granted an extension of time by the Communications Division.

10. In addition to all the requirements applicable to competitive local exchange carriers and interexchange carriers included in Attachments C, D, and E to this decision, SP Licenses, Inc., 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.

11. SP Licenses, Inc. (SP Licenses), must pay the public purpose surcharges specified in Attachment C, and the Combined California Public Utilities Commission Telephone Surcharge Transmittal Form must be submitted even if the amount due is \$0.

12. SP Licenses must pay an annual minimum user fee of \$100 or 0.23 percent 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, SP Licenses, Inc. must provide the Commission's Consumer Affairs Branch with the name(s) and address(es) 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, SP Licenses, Inc. must provide the Commission's Communications Division with the name, address, phone number and electronic mail address of its designated regulatory/official contact persons(s). This information must be provided electronically, using the "Regulatory/Official Contact Information Update Request" form, found at <http://www.cpuc.ca.gov/communications>. This information must be updated if the contact information changes, or at least annually.

15. SP Licenses, Inc., 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.

16. SP Licenses, Inc. 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 D to this decision.

17. SP Licenses, Inc. (SP Licenses) motion to file under seal its Exhibit F 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 SP Licenses believes that it is necessary for this information to remain under seal for longer than three years, SP Licenses may file a new motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

18. All rulings by the assigned Commissioner and Administrative Law Judge are affirmed.

19. Application 16-06-005 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

# **ATTACHMENT A**

## **Settlement Agreement**

**SETTLEMENT AGREEMENT**

To avoid the costs and risks of further litigation and to expeditiously resolve this matter, the Consumer Protection and Enforcement Division of the California Public Utilities Commission (“CPED”), and SP Licenses, Inc. (“SP Licenses” or the “Applicant”) and its predecessors, successors, affiliates, and assigns (collectively the “Parties”), hereby agree upon the following terms for the settlement of CPED’s Protest of SP Licenses’ Application for a Certificate of Public Convenience and Necessity (“CPCN”) to operate as a switchless reseller that will provide statewide voice and data telecommunications service in the State of California (“Application”).

**I. JOINT FACTUAL STATEMENT**

1. The following joint factual statement is taken from SP Licenses’ Application and documents obtained in CPED staff’s investigation. SP Licenses is a California Company with its principal place of business in Newport Beach, California. In its Application, SP Licenses seeks Commission authority to operate as a switchless reseller, providing voice and data telecommunications statewide in California. SP Licenses applied for Commission authority via the simplified application process pursuant to Public Utilities Code § 1013.

2. On June 7, 2016, SP Licenses filed A.16-06-005, seeking Commission authority to operate in California. CPED protested on July 11, 2016.

3. CPED’s protest alleges that SP Licenses violated Rule 1.1 of the Commission’s Rules of Practice and Procedure in its Application. Under Rule 1.1, any person who transacts business with the Commission agrees to not “mislead the Commission or its staff by an artifice

or false statement of fact or law.” CPED alleges that SP Licenses did not disclose in its application that the Federal Communication Commission (“FCC”) cited Jamie Christiano of NetDot Solutions (“NetDot”), pursuant to section 503(b)(5) of the Communications Act of 1934, as amended, 47 U.S.C. § 503(b)(5), for violations of the Act and the FCC’s rules that govern telephone solicitations and unsolicited advertisements. Jamie Christiano is the President and 60% shareholder of SP Licenses. The FCC issued citation No. EB-07-TC-12635 against NetDot on July 16, 2007 (the “FCC Citation”), because NetDot allegedly delivered autodialed, prerecorded, or artificial voice messages to an emergency telephone line, a telephone line of a guest or patient room at a health care facility, or a telephone number assigned to a paging service, cellular telephone service or any service for which the called party is charged for the call, in violation of section 227(b)(1)(A) of the Act and section 64.1200(a)(1) of the FCC’s rules.

4. SP Licenses states that NetDot did not initiate the telephone calls addressed in the FCC Citation. Rather, SP Licenses states that NetDot acted as a wholesale provider of long-distance service for its clients, and if any such violation occurred, it was committed by NetDot’s customer, not NetDot. SP Licensees further states that it was unaware of the existence of the FCC citation until it was discovered in this proceeding; and upon research and inquiry of the FCC, the FCC Citation was purged from the FCC’s records, including any rescission or no further action letter issued in connection therewith. SP Licenses provided evidence to CPED that shows that two other similar citations issued by the FCC, FCC File Nos. EB-07-TC-1046 and EB-07-TC-1158 respectively, were rescinded by the FCC; therefore, SP Licenses does not admit any liability in this Docket.

## II. AGREEMENT

5. Acknowledgements. SP Licenses acknowledges that Rule 1.1 requires applicants to provide true and accurate information in documents filed at the Commission and that the Application requires SP Licenses to disclose whether the Applicant has been found to have “violated any statute, law, or rule pertaining to public utilities or other regulated industries.” However, SP Licenses did not disclose the existence of the FCC Citation, because it had no knowledge of the existence of the FCC Citation at the time it filed the Application. By this Settlement, SP Licenses states that it will fully meet its regulatory and legal obligations in California in the future. Subject to SP Licenses’ ongoing compliance with this Agreement and all applicable laws, and Commission rules, regulations, decisions, and orders, SP Licenses and CPED acknowledge that all issues raised in CPED’s protest of SP Licenses’ application for a CPCN will have been fully resolved.

6. Payments. In order to resolve the legal issues raised by CPED in its Protest, SP Licenses will pay Six Thousand Dollars (\$6,000) to the State of California General Fund. SP Licenses will pay the amount within thirty (30) days after the calendar date of the Commission’s approval of this Agreement. All 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 check or money order shall indicate the decision number of the Commission decision number incorporating this settlement.

## III. GENERAL PROVISIONS

7. Scope and Effect of Agreement. This Agreement represents a full and final resolution of CPED’s Protest, and the matters giving rise thereto. The parties understand that this Agreement is subject to approval by the Commission. As soon as practicable after the



Parties have signed the Agreement, a Motion for Commission Approval and Adoption of the Agreement will be filed. The Parties agree to support the Agreement, recommend that the Commission approve it in its entirety without change, and commit to use their best efforts to secure Commission approval of it in its entirety without modification. The Parties agree that, if the Commission fails to adopt the Agreement in its entirety without material change and issue the requested operating authority, the Parties shall convene a settlement conference within fifteen (15) days thereof to discuss whether the Parties 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 Agreement shall be rescinded and the Parties shall be released from their obligation to support this 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 and agree that neither this Agreement nor its terms shall be admissible in such proceeding unless the Parties agree.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.


13. 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.

14. Interpretation of the Agreement. The Parties have bargained in good faith to reach the agreement set forth herein. The Parties intend the Agreement to be interpreted as a unified, interrelated agreement. Both of the Parties have contributed to the preparation of this Agreement. Accordingly, the Parties agree that no provision of this Agreement shall be construed against either of them because a particular Party or its counsel drafted the provision.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement.

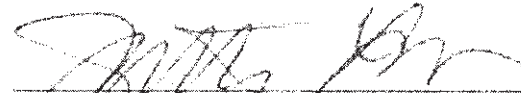
**SP LICENSES TELECOM, INC.**

Dated: 10/28/16

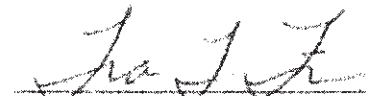
  
\_\_\_\_\_  
Jamie Christiano  
Chief Executive Officer  
SP Licenses, Inc.  
4695 MacArthur Court, Suite 930  
Newport Beach, CA 92660

**CONSUMER PROTECTION AND  
ENFORCEMENT DIVISION**

Dated: 10-28-16

  
\_\_\_\_\_  
Jeanette Lo  
Branch Chief, Utility Enforcement Branch  
Consumer Protection and Enforcement  
Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Dated: 10/28/16

  
\_\_\_\_\_  
Travis T. Foss  
Staff Counsel  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**ATTACHMENT B**

*This attachment is intentionally left blank, because SP Licenses, Inc. requested and was granted authority to provide resold interexchange services, therefore is exempt from the requirement to file tariffs.*

**(END OF ATTACHMENT B)**

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

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

2. The certificate granted and the authority to render service under the rates, charges, and rules authorized will expire if not exercised within 12 months of the 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); and

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<sup>1</sup> Written acceptance filed in this docket does not reopen the proceeding.

- 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 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/General.aspx?id=1010>. To request a user ID and password for TUFFS online filing and for questions, please e-mail [Telco\\_surcharges@cpuc.ca.gov](mailto:Telco_surcharges@cpuc.ca.gov).
- Carriers must file and pay the PUC User Fee (see above item 3g) 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/General.aspx?id=1009>. Please call (415) 703-2470 for questions regarding User Fee reporting and payment.

4. If 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. If 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 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.

8. 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.

9. Applicants providing local exchange service must file a service area map as part of their initial tariff.

10. Prior to initiating service, Applicant must provide the Commission's Consumer Affairs Branch with the name(s) and address(es) 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

11. 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.

12. 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.

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

14. 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.

15. 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.

16. 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.

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

18. 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.

19. 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.

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

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

22. 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.

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

24. 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 C)**

**ATTACHMENT D****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 SP Licenses, Inc..
2. 4695 Macarthur Court, Suite 930, Newport Beach, CA 92660.
3. Name, title, 4695 Macarthur Court, Suite 930, Newport Beach, CA 92660, 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 4695 Macarthur Court, Suite 930, Newport Beach, CA 92660 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 SP Licenses, Inc. is engaged.
9. List of all affiliated companies and their relationship to the SP Licenses, Inc.. State if affiliate is a:
  - a. Regulated public SP Licenses, Inc..
  - 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 31<sup>st</sup> 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 D)**

**ATTACHMENT E****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 SP Licenses, Inc. must list and provide the following information for each affiliated entity and regulated subsidiary that the SP Licenses, Inc. 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 SP Licenses, Inc. (*e.g.*, controlling corporation, subsidiary, regulated subsidiary, affiliate);
- Ownership of the SP Licenses, Inc. (including type and percent ownership)
- Voting rights held by the SP Licenses, Inc. and percent; and
- Corporate officers.

2. The SP Licenses, Inc. must prepare and submit a corporate organization chart showing any and all corporate relationships between the SP Licenses, Inc. 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 SP Licenses, Inc. 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 SP Licenses, Inc. that has individuals who are classified as “controlling corporations” of the competitive SP Licenses, Inc., the SP Licenses, Inc. must only report under the requirements of #1 and #2 above any affiliated entity that either (a) is a public SP Licenses, Inc. or (b) transacts any business with the SP Licenses, Inc. filing the annual report excluding the provision of tariff services.

4. Each annual report must be signed by a corporate officer of the SP Licenses, Inc. 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 SP Licenses, Inc. 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 SP Licenses, Inc.’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 SP Licenses, Inc. had no affiliated entities during the report period. This statement must be signed by a corporate officer of the SP Licenses, Inc., 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 E)**