

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Kingstone
Telecommunications, Inc. for Registration
as an Interexchange Carrier Telephone
Corporation Pursuant to the Provisions of
Public Utilities Code Section 1013.

Application 11-09-003
(Filed September 2, 2011)

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

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
DECISION ADOPTING SETTLEMENT AGREEMENT AND GRANTING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.....	1
1. Summary.....	1
2. Background.....	1
3. Settlement Agreement	3
4. Discussion.....	4
4.1. Settlement Conference.....	6
4.2. Technical Qualifications.....	7
4.3. Financial Qualifications	7
4.4. Tariffs	8
4.5. California Environmental Quality Act (CEQA)	8
5. Categorization and Need for Hearings	9
6. Comments on Proposed Decision	9
7. Assignment of Proceeding	9
Findings of Fact	9
Conclusions of Law.....	10
ORDER 11	

Attachment A. Intentionally Left Blank

Attachment B: Requirements Applicable to Competitive Local Exchange
Carriers and Interexchange Carriers

Attachment C: Annual Report

Attachment D: Calendar Year Affiliate Transaction Report

Attachment E: Settlement Agreement

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

1. Summary

This decision adopts the proposed Settlement Agreement¹ attached hereto as Attachment E and grants a Certificate of Public Convenience and Necessity (CPCN)² to Kingstone Telecommunications, Inc. to provide limited facilities-based interexchange service as a Non-Dominant Interexchange Carrier statewide in California. Among other things, the Settlement Agreement requires Applicant to pay a penalty of \$6,500 to the California General Fund and to file an amended application. The amended application was filed. This proceeding is closed.

2. Background

Kingstone Telecommunications, Inc. is a corporation operating and existing under the laws of the State of California, incorporated on July 11, 2011. Kingstone is a vendor for prepaid phone cards, providing both domestic and international calling services. The official website of Kingstone is www.kingstonetelecom.com. The officers and/or directors of Kingstone are Jesse M. Ahn (President) and Hongjoon Ahn (Vice President). On September 2, 2011, Kingstone Telecommunications, Inc. (Kingstone or Applicant) applied to

¹ The Settlement Agreement resolves the issues set forth in the protest filed in this proceeding.

² While this application was filed pursuant to Public Utilities Code Section 1013 (an expedited and ministerial registration process) the protest and resulting assignment to and processing by an Administrative Law Judge removed it from the registration track. It has therefore been evaluated as a CPCN under Pub. Util. Code § 1001.

the California Public Utilities Commission (Commission) for a Registration License as a Non-Dominant Interexchange Carrier to provide limited facilities-based interexchange service statewide in California. In its Application, Kingstone listed Krossland Communications, Inc. (Krossland) as an affiliate. Jesse Ahn was listed as the president of both Kingstone and Krossland, and is the majority shareholder of Krossland. According to the Application, Krossland distributes prepaid calling cards for other entities; it does not provide prepaid calling card services itself.

The Consumer Protection and Safety Division (CPSD) filed a protest on October 7, 2011, alleging two violations of Rule 1.1 of the Commission's Rules of Practice and Procedure (Rules). CPSD's protest alleged that:

- (1) contrary to Applicant's assertions made in the Application, Applicant's affiliate, Krossland, violated the Commission's rules and had its operating authority revoked. Therefore, CPSD contended that Applicant's response to question 8 in its Application constituted a false statement in violation of Commission Rule 1.1; and
- (2) the California Attorney General, a law enforcement agency, investigated Krossland for prepaid phone card service related issues. Therefore, CPSD contended that Applicant's response to question 9 in the Application constituted a false statement in violation of Rule 1.1.

With permission of the assigned Administrative Law Judge (ALJ) the parties met and conferred in an attempt to resolve the issues raised by the application, protest and reply. On March 13, 2012, CPSD and Applicant moved for adoption of the Settlement Agreement. The motion and the Settlement Agreement state that Applicant has provided satisfactory explanations concerning CPSD's protest and has agreed to pay a penalty of \$6,500 to the General Fund, and the terms of the Settlement Agreement

satisfactorily address all of CPSD's concerns. The motion further states that CPSD no longer has concerns regarding Applicant's fitness to provide service in California. The motion requests the Commission adopt the Settlement Agreement and issue a certificate of public convenience and necessity (CPCN) to Applicant to operate as a Non-Dominant Interexchange Carrier to provide limited facilities-based interexchange service statewide in California.

Other than CPSD's protest, which will be resolved once the Settlement Agreement is adopted by this decision, no other opposition to this Application was filed.

3. Settlement Agreement

The Settlement Agreement addresses the issues raised by CPSD's protest for Applicant's failure to disclose the regulatory history of the affiliated Kingstone company. The Settlement Agreement requires that Applicant file an amended application with more complete disclosures and pay a \$6,500 fine, in three installments, to the California General Fund. As required by the Settlement Agreement, on March 5, 2012, Applicant filed an Amended Application. In the Amended Application, Kingstone stated that the two omissions were unintentional and explained why they occurred. With regard to the revocation of Krossland's CPCN, Kingstone explained that Jesse Ahn, president of Krossland, was not aware that the CPCN had been revoked due to a language barrier that caused him to misunderstand the Commission's compliance requirements. With regard to the Attorney General subpoena, Kingstone explained that it did not disclose this information in its Application because it did not believe that Krossland specifically was the subject of the California Attorney General's investigation, but rather that the Attorney General was conducting an inquiry into the underlying prepaid phone service providers

whose cards Krossland distributed. Further, after responding to a subpoena from the Attorney General for information, Krossland was not contacted again, and believed that the matter was closed. Kingstone accordingly did not believe it was required to disclose this investigation in the Application. Kingstone expressed regret for the errors in its Application and is submitting an Affidavit from Kingstone's vice president attesting that the company has retained a regulatory consultant to assist with regulatory compliance matters once Kingstone receives its CPCN.

As discussed herein, while these concerns raise questions as to Applicant's overall fitness to provide telephone services in California and commitment to comply with all of the regulatory mandates, the Settlement Agreement satisfactorily resolves those concerns.

4. Discussion

Rule 12.1(d) of the Commission's Rules of Practice and Procedure provides that, before approving a settlement, the Commission must determine that the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest. We find that the Settlement Agreement fully satisfies these requirements and therefore should be approved.

The Settlement Agreement at issue here also includes imposition of a penalty. In determining the appropriate penalty, the parties took into consideration the criteria used by the Commission. Specifically, the parties considered factors previously used by the Commission in setting fines, including

but not limited to: (1) severity of the offense, (2) conduct of the utility, and (3) Commission precedent in similar cases.³

Here, CPSD indicates that it is satisfied that the Settlement Agreement resolves all of the concerns raised in its protest and that adoption of the Settlement Agreement would be in the public interest. We agree. The Settlement Agreement does the following:

1. It shows unequivocal acknowledgement of CPSD's concerns by Applicant, the history of cooperation by Applicant in addressing the issues raised by CPSD during the course of this proceeding, and Applicant's commitment to comply with all regulatory matters going forward;
2. The terms and conditions it imposes upon Applicant allow Applicant to serve California customers. It provides the Commission with necessary assurances that in the future, Applicant will comply with its regulatory obligations. It imposes a \$6,500 penalty for the failure to fully disclose information to the Commission during the application process and requires Applicant to file an amended application fully disclosing the violations, which preserves the integrity of the application and licensing process of the Commission and provides sufficient deterrence to Applicant (and by example to others similarly situated) from engaging in future violations for which further penalties will be imposed by the Commission; and
3. It saves the Commission the further expense and commitment of resources involved in possible hearings on the questions of the violations set forth in CPSD's protest and the degree of culpability associated with same.

³ *Rulemaking to Establish Rules For Enforcement of the Standards of Conduct Governing Relationships Between Energy Utilities and Their Affiliates Adopted By the Commission In Decision 97-12-088, (1998) D.98-12-075 at 71, 1998 Cal. PUC LEXIS 1016.*

As a result of the Settlement Agreement, the Commission finds that the public will benefit because Applicant has taken measures to rectify a violation of law, and to protect California consumers and the integrity of the Commission's jurisdiction and process. The terms of the Settlement Agreement protect Applicant's customers and members of the public in California by ensuring that Applicant will fully meet its regulatory and legal obligations while allowing Applicant to offer the services contemplated to California consumers. Additionally, the terms of the Settlement Agreement are consistent with other settlement agreements that the Commission has approved based on similar factual situations.

The proposed Settlement Agreement is an all-party settlement as CPSD and Applicant are the only active parties in this proceeding. The settling parties reasonably reflect the affected interests. The Parties have had sufficient opportunity to review and discuss the terms of the Settlement Agreement. All issues raised by the CPSD's protest to the Application have been resolved in the Settlement Agreement. Therefore, the Settlement Agreement is found to be reasonable and in the public interest and should be adopted. Accordingly, we adopt the Settlement Agreement, and Applicant is granted a CPCN consistent with the terms and conditions set forth in the Settlement Agreement.

4.1. Settlement Conference

Rule 12.1(b) requires the Parties to hold a public settlement conference providing all Parties to the proceeding an opportunity to review and discuss the settlement. The only two parties to this proceeding are CPSD and Kingstone, who have had sufficient opportunity to review and discuss the settlement.

4.2. Technical Qualifications

Applicants for Non-Dominant Interexchange Carrier authority are required to make a reasonable showing of technical expertise in telecommunications or a related business. Applicant submitted biographical information on its officers that demonstrates that it possesses sufficient experience and knowledge to operate as a telecommunications provider.

4.3. Financial Qualifications

To be granted a CPCN, an applicant for authority to provide limited facilities-based non-dominant 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 (LEC) and/or interexchange carriers (IECs) in order to provide the proposed service.⁵

Kingstone has provided documentation, filed under seal, that it possesses the required 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 it has fulfilled this requirement. Moreover, Applicant has obtained a surety bond in the amount of \$25,000. While provision of a surety bond was a requirement of the registration process, Kingstone has agreed to maintain the bond as a product of this decision. The bond will be submitted via an information-only advice letter within five days after the effective date of the CPCN issued to Kingstone.

⁴ The financial requirement for Non-Dominant Exchange Carriers (NDIEC) is contained in D.91-10-041.

4.4. Tariffs

Kingstone requests exemption from the tariffing requirements but reserves the right to file tariffs prior to commencing operations in California. The request for detariffing is granted to the extent permitted under D.07-09-018. Kingstone must comply with all General Order (GO) 96-B Telecommunications Industry Rules with respect to the following: 1) the posting of all detariffed rates, terms, and conditions on an internet site pursuant to Rule 5.2 of the Telecommunications Rules; and 2) the notification of affected customers for any service not provided under tariff, of higher rates or charges, more restrictive terms or conditions, withdrawal of service, or transfer of ownership or customer base pursuant to Rule 5.3 of the Telecommunications Rules. Further, Kingstone must observe the consumer protection rules adopted in D.98-08-031.

4.5. California Environmental Quality Act (CEQA)

CEQA requires the Commission 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. Applicant has no plan for constructing facilities at this time other than switching equipment installed in existing buildings. Therefore, it can be seen with certainty that there is no possibility that granting this application will have an adverse effect upon the environment. Applicant must file for additional authority, and submit to any required CEQA review, before it can construct facilities.

⁵ The requirement for NDIEC applicants to demonstrate that they have additional financial resources to meet any deposits required by underlying LECs and/or IECs is set forth in D.93-05-010.

5. Categorization and Need for Hearings

In Resolution ALJ 176-3280, dated September 8, 2011, the Commission preliminarily categorized this application as Ratesetting, and preliminarily determined that hearings were not necessary. All of the issues raised in the protest received from CPSD have been resolved. There is no apparent reason why the application should not be granted. Given these developments, a public hearing is not necessary, and it is not necessary to disturb the preliminary determinations.

6. Comments on Proposed Decision

This is 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 comments is waived.

7. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and Richard W. Clark is the assigned ALJ in this proceeding.

Findings of Fact

1. Applicant requests authority to provide limited facilities-based non-dominant interexchange service in all of California.
2. Applicant filed an Amended Application on March 5, 2012, which contains the additional information required by the all-party Settlement Agreement.
3. There is currently no opposition to granting this Application, in light of the proposed all-party Settlement Agreement filed in this proceeding.
4. The proposed Settlement Agreement by and between Applicant and CPSD resolves all issues raised by CPSD's protest in this proceeding.

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

6. Kingstone has a minimum of \$100,000 of cash or cash equivalent that is reasonably liquid and readily available to meet its start-up expenses. Moreover, Kingstone has obtained a surety bond in the amount of \$25,000.

7. Kingstone has sufficient cash or cash equivalent to cover any deposits that may be required by other telecommunications carriers in order to provide the proposed service.

8. Kingstone possesses sufficient experience and knowledge to provide telecommunications services.

9. Kingstone meets the qualifications for exemption from tariffing requirements and Kingstone has agreed to abide by the consumer protection rules adopted in D.98-08-031, as modified from time to time.

10. Kingstone requests non-dominant carrier treatment.

11. The Commission is the lead agency for this project under CEQA. Kingstone will not be constructing facilities other than switches in existing buildings. Granting authority to provide limited facilities-based interexchange services as described will not have a significant adverse effect upon the environment.

Conclusions of Law

1. The proposed all-party Settlement Agreement filed in this proceeding, including all of its terms and conditions, is reasonable in light of the whole record and consistent with the law, and its adoption would be in the public interest.

2. The proposed all-party Settlement Agreement, attached hereto as Attachment E, should be approved and adopted.

3. Kingstone should be granted a CPCN subject to the conditions set forth in the attached Settlement Agreement, the Ordering Paragraphs, and the attachments to this decision.

4. Applicant's request to file its financial information under seal should be granted for two years.

5. Kingstone has the financial ability to provide the proposed service.

6. Kingstone has sufficient technical expertise and management experience to provide the proposed service.

7. Because Kingstone initial facilities will be limited to switching equipment installed in existing buildings, it can be seen with certainty that there will be no significant effect on the environment.

8. Kingstone, once granted the CPCN, should be subject to the applicable Commission rules, decisions, GOs, and statutes that pertain to California public utilities.

9. Kingstone should be granted an exemption from the requirement to file tariffs to the extent permitted by D.07-09-018.

10. Kingstone should be granted non-dominant carrier status, subject to Commission rules and regulations applicable to NDIECs, including D.85-01-008, D.85-07-081, D.85-11-044, D.94-05-051, D.97-06-096, and D.10-09-017.

O R D E R

IT IS ORDERED that:

1. The proposed all-party Settlement Agreement, attached hereto as Attachment E, is adopted.

2. A Certificate of Public Convenience and Necessity is granted to Kingstone Telecommunications, Inc. to provide limited facilities-based and non-dominant interexchange service in all of California subject to the conditions set forth herein.

3. Kingstone Telecommunications, Inc. must pay a fine totaling \$6,500. The fine will be paid in three installments, with the first installment of \$2,500 to be paid within 30 days after the date of this Decision, and the second and third installments of \$2,000 each to be paid within 60 days and 90 days respectively after the date of the first installment. Payment must be made 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, Room 3000, San Francisco, CA 94102. The words "For deposit to the General Fund per Decision _____" must be written on the face of the check or money order.

4. The Certificate of Public Convenience and Necessity granted in Ordering Paragraph 2 is effective when the \$6,500 penalty payment required by the Settlement Agreement has been made.

5. The certificate granted, and the authority to render service under the rates, charges, and rules authorized, will expire if not exercised within 12 months after the effective date of this order.

6. Kingstone Telecommunications, Inc. is exempted from filing tariffs to the extent permitted by General Order 96-B. Kingstone must comply with all GO 96-B Telecommunications Industry Rules with respect to the following: 1) the posting of all detariffed rates, terms, and conditions on an internet site pursuant to Rule 5.2 of the Telecommunications Rules; and 2) the notification of affected customers for any service not provided under tariff, of higher rates or charges, more restrictive terms or conditions, withdrawal of service, or transfer of

ownership or customer base pursuant to Rule 5.3 of the Telecommunications Rules. Further, Kingstone must observe the consumer protection rules adopted in D.98-08-031.

7. Pursuant to the process set out in D.10-09-017 Kingstone must submit its \$25,000 surety bond via an information only advice letter within five days after the effective date of the Public Convenience and Necessity issued to Kingstone file.

8. Kingstone Telecommunications, Inc. is assigned corporate identification number U7236C which must be included in the caption of all filings made with this Commission.

9. In addition to all the requirements applicable to non-dominant interexchange carriers included in Attachments B, C, and D to this decision, Kingstone Telecommunications, Inc. is subject to the Consumer Protection Rules contained in General Order (GO) 168, and all applicable Commission rules, decisions, GOs, and statutes that pertain to California public utilities.

10. Kingstone Telecommunications, Inc. must annually pay the user fee and 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.

11. Prior to initiating service, Kingstone Telecommunications, Inc. 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 at least annually and whenever the name or telephone number changes.

12. Kingstone Telecommunications, Inc. must notify the Director of the Communications Division in writing of the date that interexchange service is first rendered to the public, no later than five days after service first begins.

13. Kingstone Telecommunications, 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. The report must set forth the information described in Attachment D.

14. Kingstone Telecommunications, 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 described in Attachment C to this decision.

15. Kingstone Telecommunications, Inc. is not authorized to construct facilities other than those to be installed in existing buildings and structures.

16. All sealed information provided by Applicant will remain sealed for a period of two years after the effective date of this order. After two years, all such information will be made public. If Kingstone Telecommunications, Inc. believes that further protection of sealed information is needed beyond two years, Kingstone Telecommunications, Inc. may file a motion, no later than 30 days before the expiration of the two-year period granted by this order, stating the justification for further withholding of the sealed information from public inspection.

17. Application 11-09-003 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A

(Intentionally Left Blank)

(END OF ATTACHMENT A)

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

1. Applicant shall file, in this docket with reference to this decision number¹, a written acceptance of the certificate granted in this proceeding within 30 days of the effective date of this order.

2. Applicant is subject to the following fees and surcharges that must be regularly remitted. Per the instructions in Appendix 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 current 1.150% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the Universal Lifeline Telephone Service Trust Administrative Committee Fund (Pub. Util. Code § 879; Resolution T-17071, dated March 1, 2007, effective April 1, 2007);
- b. The current 0.200% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the Deaf and Disabled Telecommunications Program (Pub. Util. Code § 2881; D.98-12-073 and Resolution T-17127, dated December 20, 2007, effective January 1, 2008);
- c. The user fee provided in Pub. Util. Code §§ 431-435, which is 0.180% of gross intrastate revenue (Resolution M-4819, dated June 7, 2007, effective July 1, 2007);
- d. The current 0.40% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as

¹ Written acceptance filed in this docket does not reopen this proceeding.

- modified by D.95-02-050, to fund the California High Cost Fund-A (Pub. Util. Code § 739.3; D.96-10-066, pp. 3-4, App. B, Rule 1.C (Resolution T-17357, dated June 7, 2012, effective July 1, 2012);
- e. The current 0.300% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California High Cost Fund-B (D.96-10-066, p. 191, App. B, Rule 6.F.; D.07-12-054; Resolution T-17311, dated March 24, 2011, effective May 1, 2011);
 - f. The current 0.14% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Advanced Services Fund (D.07-12-054); Resolution T-17343, dated September 22, 2011, effective November 1, 2011; and
 - g. The current 0.079% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Teleconnect Fund (D.96-10-066, p. 88, App. B, Rule 8.G, Resolution T-17142, dated April 24, 2008, effective June 1, 2008).

Note: These fees change periodically. In compliance with Resolution T-16901, December 2, 2004, Applicant should 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 charges until further revised.

- Carriers must report and remit CPUC telephone program surcharges online using the CPUC Telecommunications and User Fees Filing System (TUFFS). Information and instructions for online reporting and payment of surcharges are available at <http://www.cpuc.ca.gov/PUC/Telco/Information+for+providing+service/Surcharge+Remittance.htm>. To request a user ID and password for TUFFS online filing and for questions, please e-mail Telco_surcharges@cpuc.ca.gov.

- Carriers must file and pay the PUC User Fee (see above item 2c) upon receiving the User Fee statement sent by the Commission. User Fees cannot be reported or paid online. Instructions for reporting filing are available at <http://www.cpuc.ca.gov/PUC/Telco/Consumer+Information?userfee.htm>. Please call (415) 703-2470 for questions regarding User Fee reporting and payment.

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

4. Tariff filings shall reflect all fees and surcharges to which Applicant is subject, as reflected in 2 above.

5. Applicant shall file a service area map as part of its initial tariff.

6. Prior to initiating service, Applicant shall 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 shall be updated if the name or telephone number changes, or at least annually.

7. Applicant shall 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.

8. Applicant shall notify the Director of the Communications Division in writing of the date interLATA service is first rendered to the public within five days after service begins, and again within five days after intraLATA service begins.²

² California is divided into ten Local Access and Transport Areas (LATAs), each containing numerous local telephone exchanges. InterLATA describes services, revenues and functions relating to telecommunications originating within one LATA

Footnote continued on next page

9. Applicant shall keep its books and records in accordance with the Generally Accepted Accounting Principles.

10. In the event Applicant's books and records are required for inspection by the Commission or its staff, it shall 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.

11. Applicant shall 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.

12. Applicant shall 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.

13. Applicant shall ensure that its employees comply with the provisions of Public Utilities (Pub. Util.) Code § 2889.5 regarding solicitation of customers.

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

15. If Applicant is 90 days or more late in filing an annual report, or in remitting the surcharges and fee listed in 2 above, the Communications Division shall prepare for Commission consideration a resolution that revokes Applicant's CPCN unless it has received written permission from the Communications Division to file or remit late.

and terminating in another LATA. IntraLATA describes services, revenues and functions relating to telecommunications originating within a single LATA.

16. Applicant is exempt from Commission Rules of Practice and Procedure 3.1(b).

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

18. 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.

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

20. Applicant shall send a copy of this decision to concerned local permitting agencies not 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 shall 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 §§ 2107 and 2108 of the Public Utilities Code.

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.

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 or compatible format shall 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 §§ 2107 and 2108 of the Public Utilities Code.

1. Each utility shall 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 shall 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 should 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 should be clearly noted.

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

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

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

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

(END OF ATTACHMENT D)

ATTACHMENT E**SETTLEMENT AGREEMENT**

The Consumer Protection and Safety Division (CPSD) of the California Public Utilities Commission (Commission), and Kingstone Telecommunications, Inc. and its predecessors, successors, affiliates, and assigns (Kingstone or Respondents) hereby agree upon the following terms for the settlement (Settlement Agreement) of CPSD's Protest of Kingstone's Application for Registration as an Interexchange Carrier Telephone Corporation Pursuant to Provisions of Public Utilities Code Section 1013, A.11-09-003 (Application).

I. JOINT STATEMENT OF FACTS

The Parties submit the following joint statement as the basis for the Settlement Agreement:

1. Kingstone is a corporation operating and existing under the laws of the State of California, incorporated on July 11, 2011. Kingstone is a vendor for prepaid phone cards, providing both domestic and international calling services. The official website of Kingstone is www.kingstonetelecom.com. The officers and/or directors of Kingstone are Jesse M. Ahn (President) and Hongjoon Ahn (Vice President).

2. On September 2, 2011, Kingstone filed an application requesting authority to operate as a facilities-based interexchange carrier in California. In its Application, Kingstone lists Krossland Communications, Inc. (Krossland) as an affiliate. Jesse Ahn is listed as the president of both Kingstone and Krossland,

and is the majority shareholder of Krossland. According to the Application, Krossland distributes prepaid calling cards for other entities; it does not provide prepaid calling card services itself.

3. The Commission's database, Utility Contact System (UCS) identifies Krossland as the dba of KDI Distribution, Inc. (KDI). KDI was a registered interexchange carrier in California until the Commission revoked its authority by Resolution T-16900 on December 2, 2004, for failing to comply with Decision (D.) 93-05-010, Ordering Paragraph 4 and D.95-12-056 and the wireless registration process.

4. In 2008, the California Attorney General's Office initiated an investigation into the business practices of prepaid phone service providers and subpoenaed Krossland on March 3, 2008, to respond to interrogatories and produce documents. KDI dba Krossland responded on April 11, 2008.⁸

5. In its Application, Kingstone affirms that "[n]either applicant, any of its affiliates, officers, directors...(e) had a telecommunications license or operating authority denied, suspended, revoked, or limited in any jurisdiction...(g) have been found to have violated any statute, law, or rule pertaining to public utilities or other regulated industries ..." ⁹ In addition, Applicant avers that "...neither applicant, any affiliate, officer, director...has been investigated by the Federal

⁸ *Before The Department of Justice Office of the Attorney General State of California, In the Matter of the Investigation of: The Business Practices of Prepaid Phone Service Providers, Subpoena to Krossland Communications Inc. to Respond to Interrogatories and Produce Documents, March 3, 2008 & Response to Subpoena to Krossland Communications Inc. to Respond to Interrogatories and Produce Documents, April 11, 2008.*

⁹ *Application of Kingstone Telecommunications, Inc. for Registration as an Interexchange Carrier Telephone Corporation Pursuant to the Provisions of Public Utilities Code Section 1013, A.11-09-003, question 8.*

Communications Commission or any law enforcement or regulatory agency for failure to comply with any law, rule or order.”¹⁰

6. On October 7, 2011, CPSD filed a protest of the Application, alleging (1) contrary to Applicant’s assertions made in the Application, Applicant’s affiliate, Krossland, violated the Commission’s rules and had its operating authority revoked. Therefore, CPSD contended that Applicant’s response to question 8 in its Application constitutes a false statement in violation of Commission Rule 1.1; and (2) the California Attorney General, a law enforcement agency, investigated Krossland for prepaid phone card service related issues. Therefore, CPSD contended that Applicant’s response to question 9 in the Application constitutes a false statement in violation of Rule 1.1.

7. Subsequent to CPSD’s protest, Kingstone’s counsel met with CPSD’s representatives. At the meetings, Kingstone stated that the omissions in its registration application were unintentional, expressed regrets for the oversights and expressed its willingness to rectify the mistakes. Kingstone explained that due to a language barrier, Kingstone and its affiliate KDI’s management did not fully understand the Commission’s application requirements and was not aware that the Commission had revoked KDI’s authority. To avoid similar mistakes and to ensure future compliance, Kingstone indicated willingness to engage a regulatory consultant or attorney. Kingstone also did not believe that Krossland specifically was the subject of the California Attorney General’s investigation, but rather that the Attorney General was conducting an inquiry into the

¹⁰ *Application of Kingstone Telecommunications, Inc. for Registration as an Interexchange Carrier Telephone Corporation Pursuant to the Provisions of Public Utilities Code Section 1013, A.11-09-003, question 9.*

underlying prepaid phone service providers whose cards Krossland distributed. After responding to a subpoena from the Attorney General for information, Krossland was never contacted again, and believed that the matter was closed. Kingstone accordingly did not believe it was required to disclose this investigation in the Application. Kingstone also agreed to file an amended application addressing the issues raised in CPSD's protest.

8. On March 8, 2012, Kingstone filed an Amended Application. In the Amended Application, Kingstone stated that the two omissions were unintentional and explained why they occurred. With regard to the revocation of Krossland's CPCN, Kingstone explained that Jesse Ahn, president of Krossland, was not aware that the CPCN had been revoked due to a language barrier that caused him to misunderstand the Commission's compliance requirements. With regard to the Attorney General subpoena, Kingstone explained that it did not disclose this information in its Application because it did not believe that Krossland specifically was the subject of the California Attorney General's investigation, but rather that the Attorney General was conducting an inquiry into the underlying prepaid phone service providers whose cards Krossland distributed. Further, after responding to a subpoena from the Attorney General for information, Krossland was not contacted again, and believed that the matter was closed. Kingstone accordingly did not believe it was required to disclose this investigation in the Application. Kingstone expressed regret for the errors in its Application and is submitting an Affidavit from Kingstone's vice president attesting that the company has retained a regulatory consultant to assist with regulatory compliance matters once Kingstone receives its CPCN. A copy of the Amended Application is attached as Attachment 1. Mr. Ahn's Affidavit is provided as Attachment 2.

II. AGREEMENT

9. Acknowledgement. Kingstone acknowledges that under the Commission's Rules of Practice and Procedure, 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" and that Kingstone failed to properly and fully advise the Commission of the issues stated above. Kingstone states that it will fully meet its regulatory and legal obligations and its responsibilities to its customers and members of the public in California. Kingstone agrees that any future application made by Kingstone, its current owners, directors, and/or officers will reference this settlement.

10. Penalty Payment. In order to resolve the issues raised by CPSD in its Protest, Kingstone will pay a total of \$6,500 to the State of California's General Fund. Such amount shall be paid in three installments, with the first installment of \$2,500 to be paid within 30 days after the date of the Commission's approval of this Agreement, and the second and third installments of \$2,000 each to be paid within 60 days and 90 days respectively after the date of the first installment. The memo area of the check shall indicate the Decision number approving this settlement, and shall include the words "for remittance to the State General Fund." The check shall be made payable to the California Public Utilities Commission (CPUC) and sent to the following address: CPUC Fiscal Office, 505 Van Ness Avenue, San Francisco, CA 94102, Attn: Beverly Sligh or Elsa Cerezo.

11. Other Terms and Conditions of Settlement. In order to resolve the issues raised by CPSD in its Protest, Kingstone agrees to engage a regulatory consultant or attorney, at its own expense, to ensure future compliance with the

Commission's rules and regulations. An affidavit attesting to this agreement is attached as Attachment 2.

III. GENERAL PROVISIONS

12. Scope and Effect of Agreement. This Agreement represents a full and final resolution of CPSD's Protest, and the matters giving rise thereto. If the Commission does not approve this Agreement in full, it shall have no force and effect.

13. 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.

14. 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. Each Party further acknowledges that it has had the opportunity to consult with counsel and discuss the provisions hereof and the consequences of signing this Agreement, and that they have not relied and do not rely upon any statement, promise or representation by any other party or its counsel, whether oral or written, except as specifically set forth in this Agreement.

15. 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.

16. 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.

17. 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.

18. 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.

KINGSTONE TELECOMMUNICATIONS, INC.

Dated: March 13, 2012

/s/ JESSE M. AHN

Jesse M. Ahn, President
Kingstone Telecommunications, Inc.
12611 Hiddencreek Way, Unit B
Cerritos, CA 90703

Dated: March 13, 2012

/s/ ANITA TAFF-RICE

Anita Taff-Rice
Law Offices of Anita Taff-Rice
1547 Palos Verdes, #298
Walnut Creek, CA 94597

CONSUMER PROTECTION AND SAFETY DIVISION

Dated: March 13, 2012

/s/ MICHELLE COOKE

Michelle Cooke
Interim Director of Consumers
Protection and Safety Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dated: March 13, 2012

/s/ KIMBERLY J. LIPPI

Kimberly J. Lippi
Staff Counsel
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

(END OF ATTACHMENT E)