

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 1999-448-C - ORDER NO. 2000-0421

MAY 11, 2000

IN RE: Application of PDS, Inc. for a Certificate of)
Public Convenience and Necessity to Provide) ORDER
Intrastate Resale Interexchange) GRANTING
Telecommunications Services and for) CERTIFICATE
Alternative Regulation.)

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of PDS, Incorporated ("PDS" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide interexchange services in the State of South Carolina as a non facilities-based interexchange telecommunications service provider. By its application, PDS also requested that its consumer card and any future business and operator service offerings be regulated in accordance with the principles and procedures established for alternative regulation of its business services offerings identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. The Company's Application was filed pursuant to S.C. Code Ann. § 58-9-280 (Supp. 1999) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed PDS to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of PDS's Application and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. The Company

complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene were filed.

A hearing was convened on April 26, 2000, at 11:00 a.m. in the Commission's Hearing Room at 101 Executive Center Drive, Columbia, South Carolina. The Honorable William Saunders, Vice Chairman, presided. Bonnie D. Shealy, Esquire represented the Company. Adelaide D. Kline, Staff Counsel, represented the Commission Staff.

Perry D. Snavely, President, Chief Executive Officer, and a major stockholder of PDS, appeared and offered testimony in support of the Application. According to Mr. Snavely, PDS proposes at this time to offer only prepaid debit cards to national accounts, retailers and major chains doing business in South Carolina who will distribute them through their retail outlets. The service PDS plans to offer in South Carolina is all prepaid. PDS does not currently have contracts with major retailers in this State but expects to have some in the future. The record reveals the services offered by PDS will be available to residential and business customers. The Company has six years experience in the debit phone card business. Some customers of PDS give away promotional pre-paid debit cards. PDS developed the first debit phone card program for Walgreen's, a major customer, in 1995.

Mr. Snavely's testimony reveals PDS has the requisite technical, managerial, and financial ability to offer resold telecommunications services in South Carolina. PDS is a privately-held Texas corporation that was incorporated January 13, 1971, and will do business in South Carolina as Phone Debit Systems, Inc. The Company received authority to transact business in South Carolina on August 10, 1999. PDS does not own any network switches or transmission facilities used in routing calls. The company leases a debit card platform from West

Interactive located in Omaha, Nebraska. The record reveals the officers of the Company are Perry D. Snavelly (President and Chief Operating Officer), Terry W. Peterson (Senior Vice President), Paul Freiman (Vice President), and Joyce Clinger (Chief Financial Officer).

According to Mr. Snavelly, the management team has extensive background and experience in the retail industry. As a whole, the management staff consists of persons with experience in information services and national sales and marketing programs with national chain stores.

As to the Company's financial position, Mr. Snavelly testified that the Company has been very profitable since it was started; that two of the partners are capable of coming up with any capital necessary to continue any growth the company may incur; and the financial condition of the Company has not changed since the application was filed. If the Commission staff has questions regarding financial issues of the Company, it should contact Joyce Klinger, Chief Financial Officer; customer service inquiries should be directed to Mr. Snavelly; and regulatory questions should be forwarded to Mark Angel.

Regarding the Company's technical services, the Company's underlying carrier will be AT&T. PDS's prepaid calling cards for retail businesses will expire one year from first use or from the recharge date; the promotional cards usually expire in six months. Expiration information is printed on all cards. Mr. Snavelly testified there are no surcharges on the prepaid calling cards and surcharges listed in the Tariff will be removed. He stated that all information on the prepaid credit card complies with all FCC requirements such as customer service number, a 1-800 number to enter the system, and a PIN number. Time used on the card is rounded up to the nearest minute. The name and address of the company selling the card will appear on the front of the card; PDS's name and customer service number will be on the back of the card.

PDS utilizes a nationwide toll free number (800-550-0343) for customer service that customers may call twenty-four hours a day, seven days a week. Customer service representatives are instructed to resolve any debit and credit issues regarding card service with the customer on the telephone. If the operator cannot handle the matter, it is referred to a supervisor. Should the supervisor not be able to handle the problem, the inquiry or question is directed to Mr. Snavelly. As for the distribution and training of those who sell the prepaid credit card, PDS sends a training manual to retailers; and retail store managers are responsible for distributing the training booklet to employees who will sell the cards. In addition, Mr. Snavelly testified that explanations are included on the packaging that is distributed with the cards when they are purchased. Store managers are instructed to call PDS directly if they have any problems or questions.

PDS's prepaid calling card service eliminates the need for billing of calls made using the Company's debit card. However, the Company's customer service department does handle customer inquiries and complaints.

PDS also requested that the Commission approve alternative regulation for its interexchange business service and consumer card. As of the date of the hearing, Snavelly testified that PDS is providing its telecommunications services in twenty or twenty-one states. According to Mr. Snavelly, PDS is operating in good standing in all the states where the Company is certified to provide its services. In addition, PDS has never had authority denied in any state where it has applied for authority nor has the company had authority revoked in any state where it has been granted authority. The testimony also reveals PDS has never been the subject of an investigation, fined or sanctioned by a state or federal regulatory body.

The record reveals that PDS has met the condition of offering debit card services in South Carolina by posting with the Commission a surety bond in the amount of \$5,000 payable to the Commission. This bond was entered into the evidence of this case at the hearing.

After full consideration of the applicable law, the Company's application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. PDS is organized as a corporation under the laws of the State of Texas and is authorized to do business as a foreign corporation in the State of South Carolina by the Secretary of State.
2. PDS operates as a non facilities-based reseller of interexchange services and wishes to provide its services in South Carolina.
3. PDS has the experience, capability, and financial resources to provide the services as described in its Application.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to PDS to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for the long distance services which are consistent with the principles and procedures established for alternative regulation of business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

Under the Commission approved alternative regulation, the business service offerings of PDS, including the prepaid consumer card, are subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within seven days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted for AT&T shall apply to PDS also.

3. The Commission adopts a rate design for PDS for its resale of residential services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

4. PDS shall not adjust its residential rates below the approved maximum level without notice to the Commission and to the public. PDS shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do

not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provision of SC. Code Ann. §58-9-540 (Supp. 1999).

5. If it has not already done so by the date of issuance of this Order, PDS shall file its revised tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

6. PDS is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

7. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

8. PDS shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If PDS changes underlying carriers, it shall notify the Commission in writing.

9. PDS shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A. Be advised that the Commission's annual report for telecommunications companies requires the filing of intrastate revenues and intrastate expenses.

10. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. PDS shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. Attachment B shall be utilized for the provision of this information to the Commission. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

11. As a condition of offering debit card services, the Commission requires the Company to post with the Commission a bond in the form of a Certificate of Deposit worth \$5,000 drawn in the name of the Public Service Commission of South Carolina or a surety bond in the amount of \$5,000 which is payable to the Commission. The Certificate of Deposit shall be drawn on federal or state chartered banks or savings and loan associations which maintain an office in this state and whose accounts are insured by either the FDIC or the Federal Savings and Loan Insurance Corporation. A surety bond shall be issued by a duly licensed bonding or insurance company authorized to do business in South Carolina. This condition may be reviewed in one year.

12. If the Company sells its debit cards to retail establishments for resale of the debit cards, and the retailer of the debit cards deviates from the suggested retail price as filed in the tariff, or as approved by the Commission in a special promotion, then the Company will withdraw its cards from that retail outlet. The Commission strongly suggests that the Company

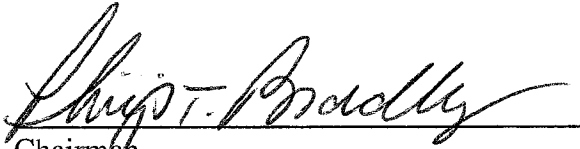
enter into written agreements with its South Carolina retail outlets regarding this policy of abiding by suggested retail pricing prior to the outlet marketing the cards.

13. With regard to the origination and termination of toll calls within the same LATA, PDS shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10 XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the Federal Communications Commission, pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209).


14. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

15. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS
FOR INTEREXCHANGE COMPANIES AND AOS'

COMPANY NAME

FEIN

ADDRESS PHONE NUMBER

CITY, STATE, ZIP CODE FAX NUMBER

1. SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING
DECEMBER 31, OR FISCAL YEAR. \$ _____
2. SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING
DECEMBER 31, OR FISCAL YEAR. \$ _____
3. RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS FOR THE 12 MONTHS
ENDING DECEMBER 31, OR FISCAL YEAR. \$ _____
4. PARENT'S CAPITAL STRUCTURE FOR THE 12 MONTHS ENDING
DECEMBER 31, OR FISCAL YEAR. \$ _____
5. PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND EMBEDDED
COST PERCENTAGE (%) _____
6. ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE AMOUNT OF
EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL AS METHOD OF
ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3 ABOVE).
7. **CONTACT PERSON FOR ALL FINANCIAL INQUIRIES AND REPORTING:**

NAME _____

ADDRESS (IF DIFFERENT FROM COMPANY) _____

TELEPHONE NUMBER _____

SIGNATURE

NAME PLEASE PRINT OR TYPE

TITLE

AUTHORIZED UTILITY REPRESENTATIVE INFORMATION

PURSUANT TO SOUTH CAROLINA PUBLIC SERVICE COMMISSION REGULATION

103-612.2.4(b) - Each utility shall file and maintain with the Commission the name, title, address, and telephone number of the persons who should be contacted in connection with General Management Duties, Customer Relations (Complaints), Engineering Operations, Test and Repairs, and Emergencies during non-office hours.

Company Name (Including dba Name(s) or Acronyms used or to be used in South Carolina)

Business Address

City, State, Zip Code

A.

General Manager Representative (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

B.

Customer Relations (Complaints) Representative (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

C.

Engineering Operations Representative (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

D.

Test and Repair Representative (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

E.

Contact for Emergencies During Non-Office Hours (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

F.

Financial Representative (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

G.

Customer Contact Telephone Number for Company (Toll Free)

This form was completed by

Signature

**If you have any questions, contact the Consumer Services Department (803-896-5230)
or Utilities Department at (803-896-5105).**