

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

In the Matter of the Application for
Registration as a Telecommunications
Company and Classification as a
Competitive Telecommunications Company
of :

PARACOM, INC.

DOCKET NO. UT-971186

THIRD SUPPLEMENTAL ORDER
RESCINDING REQUIREMENT OF
PARTIAL BOND AND REPORTING
REQUIREMENTS REQUIRED IN
SECOND SUPPLEMENTAL ORDER

BACKGROUND

- 1 On August 13, 1997, in Docket No. UT-971186, the Commission approved the application of Paracom, Inc. (Paracom) for registration as a telecommunications company pursuant to RCW 80.36.350.
- 2 On May 27, 1998, the Commission issued a First Supplemental Order amending Paracom's registration to include resold long distance and debit card services to the public. Paracom proposed to offer prepaid telecommunications services pursuant to *former* WAC 480-120-052.
- 3 On January 20, 2000, in its Second Supplemental Order granting the petition for waiver of bond requirements, the Commission approved a partial waiver to Paracom of WAC 480-120-058 which required the company to post a performance bond sufficient to cover any customer prepayments or hold customer prepayments in escrow or trust. Paracom was required to maintain a bond equal to its outstanding obligation to Cable & Wireless, Inc. for long-distance service and to file quarterly reports with the Commission.
- 4 Effective June 17, 2002, the Commission repealed WAC 480-120-058, and enacted WAC 480-120-127, which removes the mandatory customer prepayment protections. Given the change in the Commission's regulations, the Commission finds that it is consistent with the public interest to rescind the requirement in its Second Supplemental Order to provide a partial bond to cover customer prepayments. The Commission retains the jurisdiction to require Paracom to protect customer prepayments if the Commission finds such requirement to be in the public interest.

DISCUSSION

- 5 Paracom petitioned for registration as a telecommunications company in the state of Washington pursuant to RCW 80.36.350. Paracom proposed to offer prepaid telecommunications services pursuant to *former* WAC 480-120-052.

6 Under *former* WAC 480-120-058, all telecommunications companies collecting customer prepayments were required to show that they met one of the following criteria:

- (a) The company has a corporate debt rating, according to Standard and Poor's of BBB or higher, or according to Moody's of BAA or higher, with respect to outstanding debt obligation; or
- (b) The company has a performance bond satisfactory to the commission sufficient to cover any customer prepayments; or
- (c) The company has made provision for deposit of customer prepayments in a federally insured interest bearing trust account maintained by applicant solely for customer advances. . . .

7 On May 14, 2002, in Docket No. UT-991922, the Commission entered an order amending, repealing, and adopting rules permanently. In that order, the Commission repealed WAC 480-120-058.

8 Also, on May 14, 2002, in Docket No. UT-991922, the Commission adopted WAC 480-120-127, which provides that the Commission, as a precondition to registration, may require a telecommunications company to file a performance bond sufficient to cover any prepayments the company collects from its customers or order that such prepayments be held in escrow or trust, as stated in RCW 80.36.350.

9 Because WAC 480-120-058 is repealed, there is no longer a rule that mandates such protection of customer prepayments. Blanket performance bond and trust agreement requirements have afforded minimal consumer protection. The blanket requirements and the Commission's corresponding review for compliance have been costly and burdensome for the registered companies and the Commission. It is consistent with the public interest to remove the requirement that Paracom maintain a bond equal to its outstanding obligation to Cable & Wireless, Inc., for long-distance service. For the same reasons, the Commission finds that it is consistent with the public interest to remove the annual reporting requirement regarding customer prepayments.

10 The Commission retains jurisdiction under RCW 80.01.040 to require Paracom to provide a performance bond sufficient to cover any customer prepayments or deposit such prepayments in escrow or trust if the Commission determines that such requirement would be in the public interest.

11 This matter was brought before the Commission at its regularly scheduled open meeting on September 25, 2002. The Commissioners, having determined this action to be consistent with the public interest, directed the Secretary to enter this order.

FINDINGS OF FACT

- 12 Having considered the Second Supplemental Order relating to Paracom and based on the
foregoing discussion, the Commission now makes the following summary findings of
fact. Those portions of the above discussion that include findings pertaining to the
ultimate decisions of the Commission are incorporated by reference.
- 13 (1) The Washington Utilities and Transportation Commission is an agency of the
State of Washington vested by statute with the authority to regulate
telecommunications companies.
- 14 (2) Paracom is registered to provide telecommunications services for hire to the
public in the state of Washington.
- 15 (3) Rescinding the requirement that Paracom provide a performance bond equal to its
outstanding obligation to Cable & Wireless, Inc., for long-distance service is
consistent with the public interest.
- 16 (4) Rescinding Paracom's annual prepayment reporting requirement is consistent
with the public interest.
- 17 (5) By removing the requirements regarding protection of customer prepayments
required by *former* WAC 480-120-058, the Commission in no way endorses the
financial viability of Paracom nor the investment quality of any securities it may
issue.

CONCLUSIONS OF LAW

- 18 Having discussed above in detail all matters material to our decision, and having stated
general findings and conclusions, the Commission now makes the following summary
conclusions of law. Those portions of the preceding detailed discussion that state
conclusions pertaining to the ultimate decisions of the Commission are incorporated by
this reference.
- 19 (1) The Washington Utilities and Transportation Commission has jurisdiction over
Paracom and the subject matter of this proceeding under RCW 80.01, RCW
80.04, RCW 80.36, WAC 480-120, and WAC 480-121.
- 20 (2) Pursuant to RCW 80.04.210, the Commission's Second Supplemental Order
regarding Paracom should be changed to rescind the requirement that Paracom
provide a bond equal to its outstanding obligation to Cable & Wireless, Inc. for
long-distance service.
- 21 (3) Pursuant to RCW 80.04.210, the Commission's Second Supplemental Order
regarding Paracom should be changed to rescind the annual reporting requirement
regarding customer prepayments.

- 22 (4) The Commission retains jurisdiction under RCW 80.01.040 to require Paracom to provide a performance bond sufficient to cover any customer prepayments, if the Commission determines that such requirement would be in the public interest.

ORDER

THE COMMISSION ORDERS:

- 23 (1) The Commission's Second Supplemental Order regarding Paracom, Inc., is changed to rescind the requirement that Paracom provide a bond equal to its outstanding obligation to Cable & Wireless, Inc., for long-distance service.
- 24 (2) The Commission's Second Supplemental Order regarding Paracom, Inc., is changed to rescind the annual reporting requirement regarding customer prepayments.

DATED at Olympia, Washington, and effective this 25th day of September, 2002.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary