

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

MAY 9, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (WILLIAMS, STAVANJA) *WJ*
DIVISION OF AUDITING & FINANCIAL ANALYSIS (JONES) *100*
DIVISION OF LEGAL SERVICES (BILLMEIER) *LMB JH*

RE: DOCKET NO. ~~960378-TX~~; APPLICATION FOR CERTIFICATE TO
PROVIDE ALTERNATIVE LOCAL EXCHANGE TELECOMMUNICATIONS
SERVICE BY T-NETIX, INC.

AGENDA: 05/21/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\960378TX.RCM

CASE BACKGROUND

Section 364.337(1), Florida Statutes, reads as follows:

(1) Upon this act becoming a law, a party may file an application for a certificate as an alternative local exchange telecommunications company before January 1, 1996, and the commission shall conduct its review of the application and take all actions necessary to process the application. However, an application shall become effective no sooner than January 1, 1996. The commission shall grant a certificate of authority to provide alternative local exchange service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served. In no event may an alternative local exchange telecommunications company offer basic local telecommunications services within the territory served by a company subject to Chapter 364.052,

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Florida Statutes, prior to January 1, 2001, unless the small local exchange telecommunications company elects to be regulated under Chapter 364.051, Florida Statutes, or provides cable television programming services directly or as video dialtone applications authorized under 47 U.S.C., Chapter 214, except as provided for in compliance with part II of this chapter. It is the intent of the Legislature that the commission act expeditiously to grant certificates of authority under this section and that the grant of certificates not be affected by the application of any criteria other than that specifically enumerated in this subsection.

STAFF DISCUSSION

ISSUE 1: Should the Commission grant T-NETIX, INC. a certificate to provide statewide alternative local exchange telecommunications service within the State of Florida as provided by Section 364.337(1), Florida Statutes?

RECOMMENDATION : Yes, T-NETIX, INC. should be granted:

Florida Public Service Commission Certificate No. 4464

STAFF ANALYSIS: Pursuant to Section 364.337 (1), Florida Statutes (effective July 1, 1995), T-NETIX filed an appropriate application with this Commission on February 2, 1996, to conduct alternative local exchange service in Florida.

T-NETIX, INC.'s exhibit of managerial qualifications reflects qualified employees in telecommunications management, marketing and service (pages 5-6). In regard to technical capability, T-NETIX, INC.'s exhibit indicates that T-NETIX, INC. will have the expertise (page 7) to ensure that a high quality of standards are maintained at their facilities. T-NETIX, INC. will also rely on the network operation and management of its underlying carrier(s).

The Division of Auditing and Financial Analysis reviewed T-NETIX, INC.'s financial statement to determine the company's viability (pages 8-9). Based on the information provided by T-NETIX, INC. the financial capability of the company appears adequate.

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ISSUE 2: Should the Commission require T-NETIX, INC. to provide access to 911 service effective on the date the company begins to provide basic local telecommunications service at a level equivalent to the 911 access services of the LEC serving in the same area?

RECOMMENDATION: Yes.

STAFF ANALYSIS: To ensure that Florida end users are allowed high quality access to emergency services, Section 364.337(2) provides that each alternative local exchange telecommunications company that provides basic local telecommunications service must provide access to 911 services.

The Commission has no specific rules on what a LEC or an ALEC must provide in terms of 911 service access. Section 364.337(2), F.S., requires that an ALEC must include access to 911 in its basic service but does not define what type of 911 services must be provided. This could result in an ALEC offering access to 911 service which is inferior in some way to the 911 service access provided by the LEC in that same area. For example, a LEC might provide both automatic number identification (telephone number) and automatic location (address) information to the public safety answering point while the ALEC might only provide the telephone number of the calling party.

Inferior 911 access could result in loss of life which is not something that can be corrected at a later date. The issue of 911 access was to some extent addressed in the number portability docket and the individual local interconnection agreements. If that issue is ultimately resolved, we may be able to remove this provision, but for now, it should be a specific requirement of the order that the ALEC's 911 service be at a level equivalent to that provided by the LEC serving that same area.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes, if no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance date of the order.

STAFF ANALYSIS: Accordingly, this docket should be closed if no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance date of the order.

T-NETIX, INC.

Thomas J. Huzjak - President and Chief Executive Officer
Formerly Vice President and General Counsel of T-NETIX, Inc. Mr. Huzjak has over 20 years of experience in the telecommunications industry, most of which was with AT&T and the Bell Operating Companies prior to divestiture. During his career with AT&T, Mr. Huzjak held various sales and marketing positions, including those of Division and Branch Manager, AT&T Information Systems in Southern California. With Pacific Telephone and Mountain Bell, he held numerous positions in sales, marketing and product management.

Mr. Huzjak is also a licensed attorney and has been a member of the Colorado Bar since 1978. Before joining T-NETIX, Mr. Huzjak practiced law as a sole practitioner, emphasizing commercial litigation and telecommunications law. He is a member of the Colorado and Arapahoe Bar Associations and a founder and director of the Inmate Calling Providers Task Force, a trade association for private businesses which provide telecommunications services to the corrections industry.

Mr. Huzjak holds a juris doctorate degree from the University of Denver School of Law.

Roger C. DuCharme - Senior Vice President of Marketing and Sales
Mr. DuCharme joined T-NETIX in 1992. From 1989 through 1992, he was the President and co-founder of Communications Business Applications, Inc., a provider of information networking solutions. Prior to his involvement with CBA, Mr. DuCharme held executive positions at AT&T, Illinois Bell, Mountain Bell, GTE, and Micronesian Telecommunications Corporation.

Thomas W. Sweeney - Senior Vice President/Services
Mr. Sweeney joined T-NETIX in 1992. Prior to joining the Company, he spent 21 years with Bell Atlantic, serving as Regional Sales Manager in 1989, as Regional Sales Manager-Inmate from 1990-92, and as Project Manager-Inmate in 1992.

John Giannaula - Vice President/Finance
Mr. Giannaula joined T-NETIX in June, 1994. Prior to joining the Company, he spent 10 years with KPMG Peat Marwick. He is a Certified Public Accountant in the state of Colorado.

Pat Flannery - Vice President/Strategic Services
Mr. Flannery joined T-NETIX in 1993. From 1991 through 1992, he was the General Sales Manager for McCaw Cellular One in the state of Colorado. From 1987 to 1991 he was Director of Sales and Marketing with MCI-Western U.S.

Dwight W. Kitchin - Vice President/Engineering
Mr. Kitchin has over 22 years of engineering, design and management experience in telecommunications, biomedical, computer, mechanical and control systems and holds a variety of U.S. patents. Mr.

Kitchin contributed to the Star Tracking Stabilization System for the Space Shuttle and the Hubble Space Telescope while employed by Bell Aerospace Corporation. Prior experience includes development of numerous surgical instruments for Aspen Laboratories, a subsidiary of Bristol-Myers Corporation, and Production Manager for Unitec, Inc.

Mr. Kitchin joined T-NETIX in 1986 and is responsible for all hardware and software engineering and design.

Alvyn A. Schopp - Executive Vice President and Chief Financial Officer. Mr. Schopp joined T-NETIX in March 1993, after 13 years with KPMG Peat Marwick, a large accounting, tax, and consulting firm. KPMG Peat Marwick is the world's largest accounting, tax and consulting firm. Mr. Schopp has extensive experience in SEC and private financial reporting for international and domestic companies. He was responsible for the coordination of the foreign and domestic tax issues for a dozen international companies. Additionally, Mr. Schopp served as Senior Computer Specialist for the Western region of the United States conducting systems and internal control reviews for complex data processing systems.

Mr. Schopp served a one year term in the Firm's Executive offices in New York where he managed technical and technology issues for the Firm on a national and international basis. Additionally, Mr. Schopp served two years in the Melbourne, Australia where he was engagement manager for several large Melbourne international clients and was responsible for audit automation technologies on a national basis.

Mr. Schopp was a national instructor for KPMG accounting and computer courses and frequent speaker at international and national conferences on those issues. Mr. Schopp graduated with honors from Drake University with a major in Accounting and a minor in Finance.

T-NETIX, Inc.

Technical Capability

As shown in Exhibit 2, T-NETIX's staff members have many years of business and technical experience in the telecommunications industry. T-NETIX is certificated as a pay telephone or interexchange telecommunications provider in 30 states and provides service to over 500 inmate facilities.

T-NETIX initially intends to offer intraLATA and interLATA automated collect-only telecommunications service to inmates at confinement facilities between points within Florida and will enter into contractual and/or tariff relationships with one or more local exchange companies in its service areas. With the exception of collect-only service at inmate facilities, T-NETIX will provide access to 911 emergency service over LEC or ALEC facilities. The nature of the emergency 911 service access and funding mechanism will therefore be equivalent to that provided by the local exchange companies in the areas to be served.



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: April 18, 1996
TO: Tom Williams, Division of Communications
FROM: Sonja Jones, Division of Auditing and Financial Analysis *set*
RE: Docket No. 960378-TX, T-Netix, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *ALM*

Section 364.337 (1), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide alternative local exchange service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served.

Also Section 364.01 (3) and (4) states that:

- (3) The Legislature finds that the competitive provision of telecommunications service, including local exchange telecommunications service, is in the public interest.
- and
- (4)(d) The Commission shall exercise its exclusive jurisdiction in order to: (d) Promote competition by encouraging new entrants into telecommunications markets

Regarding the showing of financial capability, the Finance staff has analyzed the unaudited financial statements of T-Netix, INC. (TNET) for the period ending July 31, 1995. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, TNET has adequate liquidity, ownership equity, and profitability.

In this matter, TNET is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application and that no customer provided funds appear to be at risk. For purposes of granting a certificate based on the financial information provided, the financial capability appears adequate.

cc: Division of Legal Services
Division of Records and Reporting

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T-NETIX, INC.
LEC CERTIFICATE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 07/31/95
CURRENT ASSETS	\$10,460,000
CURRENT LIABILITIES	6,137,000
CURRENT RATIO	1.70
CASH	872,000
COMMON EQUITY	20,455,000
TOTAL DEBT	8,312,000
TOTAL INVESTOR CAPITAL	28,767,000
COMMON EQUITY RATIO	71%
NET INCOME	3,188,000
RETURN ON EQUITY	16%