

State of 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-

DATE: November 8, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Competitive Markets & Enforcement (Isler)
Office of the General Counsel (McKay)

RE: Docket No. 060699-TI – Bankruptcy cancellation by Florida Public Service Commission of IXC Registration No. TI176 issued to GST Net, Inc., effective October 20, 2006.

AGENDA: 11/21/06 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\CMP\WP\060699.RCM.DOC

Discussion of Issues

Issue 1: Should the Commission grant GST Net, Inc., as listed in Attachment A, cancellation of its IXC tariff and remove its name from the register with an effective date of October 20, 2006, due to bankruptcy; notify the Division of the Commission Clerk and Administrative Services that any unpaid Regulatory Assessment Fees, including statutory late payment charges, should not be sent to the Florida Department of Financial Services and request permission to write-off the uncollectible amounts; and require the company to immediately cease and desist providing intrastate interexchange telecommunications service in Florida?

Docket No. 060699-TI
Date: November 8, 2006

Recommendation: Yes, the company's IXC tariff and Registration No. TI176 should be granted a bankruptcy cancellation with an effective date of October 20, 2006. (Isler, McKay)

Staff Analysis: See attached proposed Order.

Issue 2: Should this docket be closed?

Recommendation: Yes, if no protest is filed and upon issuance of a Consummating Order. (McKay)

Staff Analysis: The Order issued from this recommendation will become final upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Proposed Agency Action Order. The docket should then be closed upon issuance of a Consummating Order.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Bankruptcy cancellation by Florida Public Service Commission of IXC Registration No. TI176, issued to GST Net, Inc., effective October 20, 2006.	DOCKET NO. 060699-TI ORDER NO. ISSUED:
--	--

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
J. TERRY DEASON
ISILIO R. ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW

NOTICE OF PROPOSED AGENCY ACTION ORDER
GRANTING CANCELLATION OF INTRASTATE INTEREXCHANGE COMPANY
TARIFF AND REMOVAL FROM THE REGISTER DUE TO CHAPTER 11 BANKRUPTCY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

GST Net, Inc. currently holds Registration No. TI176, issued by the Commission on November 17, 1993, authorizing the provision of intrastate interexchange telecommunications company (IXC) service.

Pursuant to Section 364.336, Florida Statutes, telecommunications companies must pay a minimum annual Regulatory Assessment Fee of \$50 by January 30 of the subsequent year and provides for late payment charges as outlined in Section 350.113, Florida Statutes, for any delinquent amounts.

On December 18, 2000, this Commission received notice that GST Net, Inc. had filed for Chapter 11 bankruptcy protection on May 17, 2000, with the District of Delaware, Case No. 00-1995. GST Net, Inc. has not paid the 2001, 2002, 2003, 2004, 2005, and 2006 Regulatory Assessment Fees, including statutory late payment charges. In addition, our staff researched the Florida Department of State, Division of Corporations' records and found that GST Net, Inc. was revoked for not filing its annual report effective September 21, 2001. Although GST Net, Inc. is

a Delaware corporation, it was located in Washington state. A similar search of the Washington Secretary of State's records also reflected that its license had expired April 30, 2001. The last known telephone numbers for the company have been disconnected, its website no longer exists, and Directory Assistance has no listing for the company.

On July 14, 2004, our staff wrote the attorney for the debtor, Mr. Steven M. Yoder, and explained that the Regulatory Assessment Fee debts all appeared to be post-petition debt and should be paid. Our staff also advised that if GST Net, Inc. wished to keep its IXC registration active in Florida, the company needed to reinstate its corporate status with the Florida Department of State, Division of Corporations. Our staff asked Mr. Yoder to request cancellation of its IXC registration if the company no longer had need of its registration and asked for a response by July 30, 2004. No response was ever received.

On October 18, 2006, in researching this Commission's records, our staff found that a copy of the company's application for authority to discontinue telecommunications service as filed with the Federal Communications Commission (FCC) had been received on July 24, 2001. The application stated that a majority of the company's assets, including customer accounts, had been sold to another company. The company's remaining customers were provided notice that service would be discontinued. The company has not submitted a request to this Commission to have its IXC tariff cancelled and its name removed from the register. It is not this Commission's practice to arbitrarily cancel a company's tariff and IXC registration, however, our staff has exhausted all means for obtaining a cancellation request from the company and the court appointed trustee.

The company has filed for bankruptcy, and pursuant to Section 362(b)(5) of the US Bankruptcy Code, the filing of a petition for bankruptcy relief acts as an automatic stay that enjoins a governmental entity from exercising its regulatory authority to collect a pre-petition debt. Additionally, in any bankruptcy liquidation or reorganization, secured creditors are given the highest priority in the distribution and, normally, receive all of the distributed assets. Regulatory Assessment Fees, late payment charges, and penalties owed by a company to the Florida Public Service Commission, as well as monetary settlements of cases resolving issues of failure to pay such fees, are not secured debts and, as a practical matter, are uncollectible in a bankruptcy proceeding where liquidation occurs. Therefore, this Commission would be prevented from collecting the Regulatory Assessment Fees owed by this company, and from assessing and collecting a penalty for failure to pay the fees.

The company owes six years in back Regulatory Assessment Fees, plus applicable late payment charges and has not been an active corporation since 2001 according to the Florida Department of State, Division of Corporations' records. Based on this and the fact that the company filed an application for authority to discontinue providing telecommunications service in 2001 with the FCC, we believe that GST Net, Inc.'s IXC registration should be cancelled. Therefore, we believe that the company's IXC registration should be cancelled with the understanding that if GST Net, Inc. notifies this Commission in writing that it does wish to provide intrastate interexchange telecommunications service in Florida, its IXC Registration TII176 would be reinstated administratively as long as GST Net, Inc. paid all post-petition

Regulatory Assessment Fees, including statutory late payment charges, and reinstates its corporate status with the Florida Department of State, Division of Corporations.

We are vested with jurisdiction over this matter pursuant to Sections 364.02, 364.336, and 364.285, Florida Statutes. Accordingly, we hereby find that GST Net, Inc.'s IXC Registration No. TI176 shall be cancelled due to Chapter 11 bankruptcy, effective October 20, 2006. In addition, the 2001, 2002, 2003, 2004, 2005, and 2006 Regulatory Assessment Fees, and the statutory late payment charges for the years 2001, 2002, 2003, 2004, and 2005, shall not be sent to the Florida Department of Financial Services for collection, and permission for this Commission to write-off the uncollectible amount shall be requested. GST Net, Inc. shall immediately cease and desist providing intrastate interexchange telecommunications service in Florida.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that GST Net, Inc.'s Registration No. TI176 to provide intrastate interexchange telecommunications service is hereby cancelled, effective October 20, 2006, due to bankruptcy. It is further

ORDERED that the outstanding Regulatory Assessment Fees, including statutory late payment charges, shall not be sent to the Department of Financial Services for collection. The Division of the Commission Clerk and Administrative Services, instead, shall request permission to write-off the uncollectible amount. It is further

ORDERED that if GST Net, Inc.'s IXC tariff is cancelled and its name removed from the register in accordance with this Order, it shall immediately cease and desist providing intrastate interexchange company service in Florida. It is further

ORDERED that if GST Net, Inc. notifies this Commission in writing that it wishes to provide intrastate interexchange telecommunications service in Florida, its IXC Registration TI176 shall be reinstated administratively if GST Net, Inc. pays all post-petition Regulatory Assessment Fees, including statutory late payment charges, and reinstates its corporate status with the Florida Department of State, Division of Corporations.

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this _____ day of _____, _____.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

(S E A L)

VM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on _____.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.