

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6476

Petition of 1-800-RECONEX, Inc. for Approval)
of a Transfer of Control)

Order entered: 3/28/2001

I. INTRODUCTION

This case involves a petition filed on January 19, 2001, by 1-800-RECONEX, Inc. ("Reconex" or "Petitioner"), seeking Vermont Public Service Board ("Board") approval, under 30 V.S.A. § 107, for approval of a transfer of control whereby Nova Communications, L.L.C. ("Nova") will acquire 52% of the Reconex stock.

On March 8, 2001, the Vermont Department of Public Service ("Department") submitted a letter to the Board indicating that the Department had no objection to the transfer of control of Reconex. The Department noted that Reconex currently has no customers in Vermont, and therefore, the transaction would be transparent to Vermont consumers. However, the Department does recommend that the Board order Reconex to include certain language regarding its provision of prepaid local phone service in all advertising and applications for service in order to ensure that consumers are aware of their rights with regard to local phone service provision. Further, the Department also had no objection to the issuance of an order without hearing or further investigation, as provided under 30 V.S.A. § 107.

II. FINDINGS OF FACT

Based upon the petition and accompanying documents, the Board makes the following findings of fact.

1. Reconex is a corporation authorized by the Board to provide telecommunications service in Vermont. A Certificate of Public Good was issued to Reconex on September 29, 1998, in Docket No. 6025. Petition at 1.

2. Nova is not currently certificated to provide telecommunications service in Vermont. Petition at 1.

3. Following receipt of approval of the transaction from all required state public utility commission approvals, Nova will acquire 52% of Reconex stock. Following completion of the transaction, Reconex will continue to operate in all respects as it currently operates, pursuant to present operating authority. Neither the name of nor the terms and conditions of service offered by Reconex will be affected by the transaction. Accordingly, the transaction should not inconvenience customers within the State of Vermont. Petition at 1-2.

4. In order to ensure consumer protection and awareness with regard to Reconex's prepaid local phone service, it is essential that customers be aware of their rights under Vermont law in regard to prepaid local phone service. The following language would accomplish that purpose, if prominently disclosed on all advertisements and applications for prepaid local phone service:

The Vermont Public Service Board has ordered all local phone companies to continue or restore local phone service as long as consumers pay their local charges. If you have been disconnected for non-payment of toll bills by your local phone company, you may be eligible to have your local service restored by them without paying your toll charges up front. Basic local calling packages begin at around \$13 per month plus the cost of local usage. Contact your local phone company or the Vermont Department of Public Service (1-800-622-4496) for more information.

See Department's letter of March 8, 2001.

5. Completion of the proposed transaction will serve the public interest in that it will promote competition among telecommunications providers by providing Reconex with the opportunity to strengthen its competitive position and to pursue marketing and business plans more effectively. Petition at 3-4.

III. CONCLUSIONS OF LAW AND DISCUSSION

The proposed transaction requires Board approval under 30 V.S.A. § 107, which applies to a direct or indirect acquisition of a controlling interest in a Vermont utility.¹ Under Section 107, a "controlling interest" is defined as 10% or more of the outstanding voting securities of a company. Section 107 requires a finding that the transfer of control will promote the public good. This standard is met in this case. The proposed transaction will promote the public good, because the transfer of control of Reconex to Nova will allow the Petitioner to operate in a more flexible manner. In the competitive arena of telecommunications, the overall effect of this transfer may promote more customer choice in terms of services, with stronger competitors in the Vermont telecommunications market. It should also be noted that the transfer of control will not have an adverse impact on Vermont consumers as Reconex currently has no customers in Vermont and will continue to operate according to its present authority.

With regard to Reconex's provision of prepaid local phone service, we agree with the Department that consumers should be informed as to their rights with regard to local service provision. This type of consumer protection information is important when the prepaid service offered may often prove more costly to the consumer than basic local service from the incumbent provider. Consumers should be made aware of the legal protections that may, in many cases, allow them to restore or maintain low cost local phone service from the incumbent provider. Therefore, we believe that the language recommended by the Department as a condition to Board approval of the transaction be included as part of Reconex's advertising and applications for service.

For all of the above reasons, the proposed transfer of control of Reconex to Nova should be approved.

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. Approval under 30 V.S.A. §§ 231 and 311 is not required because the current holder of the Certificate of Public Good, 1-800-RECONEX, Inc., will continue to be the entity providing telecommunications service in Vermont.

1. The transfer of control of 1-800-RECONEX, Inc. to Nova Communications, L.L.C., is approved.

2. Petitioner shall notify the Board, within one week, upon completion of the transfer of control.

3. Reconex shall prominently disclose on all advertisements and applications for pre-paid local phone service the following:

The Vermont Public Service Board has ordered all local phone companies to continue or restore local phone service as long as consumers pay their local charges. If you have been disconnected for non-payment of toll bills by your local phone company, you may be eligible to have your local service restored by them without paying your toll charges up front. Basic local calling packages begin at around \$13 per month plus the cost of local usage. Contact your local phone company or the Vermont Department of Public Service (1-800-622-4496) for more information.

DATED at Montpelier, Vermont, this 28th day of March, 2001.

<u>s/Michael H. Dworkin</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

Filed: March 28, 2001

Attest: s/Susan M. Hudson

Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any technical errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us).

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.