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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
STARTEC GLOBAL COMMUNICATIONS)
CORPORATION, STARTEC GLOBAL)
OPERATING COMPANY, STARTEC GLOBAL)
LICENSING COMPANY, and)
ALLIED CAPITAL CORPORATION)
For Approval to Transfer Control.)

DOCKET NO. 02-0381

DECISION AND ORDER NO. 19877

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

2002 DEC 17 A 11: 35

RECEIVED

Filed Dec. 16, 2002
At 11:30 o'clock A.M.

Karen Higashi
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi

II.

A.

STARTEC GLOBAL COMMUNICATIONS CORPORATION (SGCC) is the parent corporation of STARTEC GLOBAL OPERATING COMPANY (SGOC) and STARTEC GLOBAL LICENSING COMPANY (SGLC). Through these subsidiaries, SGCC provides domestic and international long distance telecommunications services.

In Hawaii, SGLC holds a commission-issued certificate of authority to operate as a reseller of intrastate telecommunications services.¹

ALLIED CAPITAL CORPORATION is a publicly-held Maryland corporation that provides investment capital to private and public companies.

B.

On December 14, 2001, SGCC and its subsidiaries filed for bankruptcy in the United States (U.S.) Bankruptcy Court under Chapter 11 of the U.S. Bankruptcy Code.

Under the terms of a Debtors' Joint Plan of Reorganization filed with the U.S. Bankruptcy Court on June 14, 2002 (reorganization plan): (1) Allied Capital Corporation, as the largest creditor, will receive shares in exchange for the cancellation of SGCC's outstanding debt; and (2) SGCC and its subsidiaries will be reorganized and reincorporated as new

¹See Decision and Order No. 17371, filed on November 9, 1999, in Docket No. 99-0193.

Delaware corporations, with the reorganized SGOC and SGLC continuing as wholly-owned subsidiaries of SGCC.

SGLC will maintain the licenses and authorizations required to provide intrastate and interstate telecommunications services. Thus, the transfer of operating authority is neither requested, nor is it part of the reorganization plan.

III.

Hawaii Revised Statutes (HRS) § 269-19 provides that no public utility corporation shall sell, lease, assign, mortgage, or otherwise dispose of the whole or any part of its road, line, plant, system, or other property necessary or useful in the performance of its duties to the public, "without first having secured from the public utilities commission an order authorizing it so to do." Moreover, HRS § 269-7(a) authorizes the commission to examine the condition of each public utility, its financial transactions, and "all matters of every nature affecting the relations and transactions between it and the public or persons or corporations."

HRS § 269-16.9(e) authorizes the commission to waive regulatory requirements applicable to telecommunications providers if the commission determines that competition will serve the same purpose as public interest regulation. Similarly, Hawaii Administrative Rules (HAR) § 6-80-135 authorizes the commission to exempt or waive a telecommunications carrier or services from the provisions of HRS chapter 269 or any other

telecommunications rule, upon a determination that the exemption or waiver is in the public interest.

Upon review, the commission finds that the subject transaction is consistent with the public interest, and that competition, in this instance, will serve the same purpose as public interest regulation. Of particular note:

1. Following the transaction, SGCC and its subsidiaries "will continue to operate as they have in the past."
2. SGOE and SGLC will continue to provide telecommunications services, and "will hold the licenses and authorizations required for those services." In particular, Applicants represent that SGLC "will continue to provide service in Hawaii utilizing the same tariff and rates."
3. Thus, Applicants state that the transaction will be transparent to its Hawaii-based customers, with no adverse impact.
4. Applicants maintain that it "will have access to the financial resources it needs to introduce new products and services and to respond to competition in the competitive telecommunications environment in Hawaii."

Based on the foregoing reasons, the commission, on its own motion, will waive the requirements of HRS §§ 269-19 and 269-7(a), to the extent applicable, pursuant to HRS § 269-16.9(e) and HAR § 6-80-135.²

²At the same time, the commission will continue to examine a utility's application on a case-by-case basis to determine whether the applicable requirements of HRS § 269-7(a), or any other related provision governing utility transactions, should be waived. The commission's waiver in this decision and order shall not be construed by any utility as a basis for not filing an application involving similar transactions or circumstances.

IV.

Following the U.S. Bankruptcy Court's confirmation of the reorganization plan, Applicants must promptly notify the commission.³ Within 40 days following the Court's confirmation, SGLC shall: (1) file with the commission its 2001 annual financial report (AFR), with two copies served on the Consumer Advocate, consistent with HAR § 6-80-91 and the Consumer Advocate's recommendation; and (2) pay the applicable public utility fees for December 2001 and July 2002, consistent with HRS § 269-30.⁴

V.

THE COMMISSION ORDERS:

1. HRS §§ 269-19 and 269-7(a), to the extent applicable, is waived with respect to the transaction described in the joint application, filed on October 23, 2002.

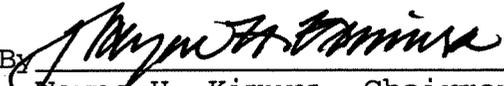
2. Startec Global Licensing Company shall file its 2001 annual financial report and pay its delinquent public utility fees, consistent with the terms of this decision and order.

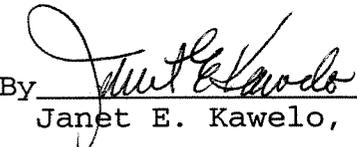
³See commission's letter, dated November 25, 2002.

⁴Given the pending bankruptcy petition, SGLC has not, to date, submitted its 2001 AFR or paid its delinquent public utility fees.

DONE at Honolulu, Hawaii this 16th day of December,
2002.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

By (RECUSED)
Gregg J. Kinkley, Commissioner

APPROVED AS TO FORM:


Michael Azama
Commission Counsel

02-0381.eh

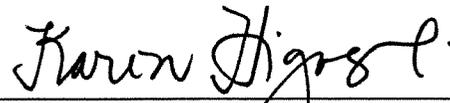
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19877 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P. O. Box 541
Honolulu, HI 96809

PATRICK D. CROCKER, ESQ.
EARLY, LENNON, CROCKER & BARTOSIEWICZ, P.L.C.
900 COMERICA BUILDING
KALAMAZOO, MI 49007-4752

ATTORNEY FOR STARTEC GLOBAL COMMUNICATIONS CORPORATION
AND ALLIED CAPITAL CORPORATION



Karen Higashi

DATED: December 16, 2002