

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
 )  
STI PREPAID, LLC AND )  
SPRINT COMMUNICATIONS COMPANY L.P. )  
 )  
For Approval to Transfer Certain )  
Assets of Sprint Communications )  
Company L.P. to STi Prepaid, LLC. )  
\_\_\_\_\_ )

DOCKET NO. 2008-0122

DECISION AND ORDER

RECEIVED

2008 AUG 21 A 8:00

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

PUBLIC UTILITIES  
COMMISSION

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FILED



STi Prepaid provides prepaid calling card and dial-around (10-10) services in the State and throughout the nation.

Sprint is a Delaware limited partnership, which is wholly-owned by subsidiaries of Sprint Nextel, a Kansas corporation. Sprint is authorized by the commission to provide interexchange, local and interstate toll services in the State.<sup>3</sup> Applicants state that Sprint Nextel, principally located in Overland Park, Kansas, is a publicly traded holding company organized for the purpose of engaging in telecommunications and related businesses through its subsidiaries.

A.

Application

On June 19, 2008, Applicants filed their Application seeking commission approval of the transfer of Sprint's assets related to its prepaid calling card services to STi Prepaid, pursuant to the Asset Purchase Agreement ("Agreement") entered into on April 7, 2008 (the "Proposed Transaction"). Applicants' request for approval of the Proposed Transaction was made under Hawaii Revised Statutes ("HRS") § 269-19 and Hawaii Administrative Rules ("HAR") § 6-61-105.<sup>4</sup>

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<sup>3</sup>See In re Sprint Communications Company L.P., dba Long Distance/USA, Docket No. 94-0005, Decision and Order No. 13262, filed on May 17, 1994; and In re Sprint Communications Company L.P., dba Long Distance/USA, Docket No. 96-0061, Decision and Order No. 14868, filed on August 9, 1996.

<sup>4</sup>Copies of the Application were served on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), an ex officio party to this docket pursuant to HRS § 269-51 and HAR § 6-61-62. No persons moved to intervene or participate without intervention in this docket.

Applicants state that Sprint and certain of its affiliates (collectively, the "Sellers") entered into the Agreement with STi Prepaid on April 7, 2008. Specifically, under the Agreement, the "Sellers agreed to transfer all of their assets related to the provision of prepaid calling card services, including tangible prepaid card inventory, customer agreements and contracts, vendor agreements and contracts, prepaid card point-of-sale and promotional materials, and personal identification numbers used to make prepaid calling card calls[.]"<sup>5</sup>

Applicants represent that the Proposed Transaction will not result in any change of control or ownership of either Sprint or STi Prepaid, and that both carriers will continue to offer their respective services in Hawaii pursuant to their commission-issued authorizations. Applicants also assert that, upon consummation of the Proposed Transaction, any prepaid calling cards remaining in the market that list Sprint as the provider will continue to be available for use. Specifically, Applicants state that: (1) STi Prepaid will "continue to provide the underlying telecommunications services associated with any prepaid calling cards previously served by Sprint"; and (2) Sprint will not remove its prepaid calling card service from its Hawaii tariff for at least 12 months following the close of the Proposed Transaction.<sup>6</sup>

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<sup>5</sup>See Application at 2-3.

<sup>6</sup>Id. at 3.

According to Applicants, the Proposed Transaction furthers the public interest, convenience, and necessity. Applicants represent that customers currently utilizing Sprint's prepaid cards would be able to enjoy the "high quality and array of features" that STi Prepaid's current customers enjoy since STi Prepaid is a "major prepaid card provider offering state-of-the-art services to its customers."<sup>7</sup> In addition, as an affiliate of Leucadia National Corporation ("Leucadia"), a publicly traded company, STi Prepaid would, according to Applicants, have access to the public capital markets that can provide support for the expansion of the services currently offered by Sprint.

Moreover, Applicants state that the Proposed Transaction will not impact Sprint's prepaid calling card customers. Specifically, Applicants represent that any customers holding previously issued Sprint prepaid calling cards will continue to receive high-quality telecommunications services without interruption and without change in the rates, terms, or conditions of service.

With regards to customer notice, Applicants maintain that they are not required to provide notice since Sprint does not have a dedicated customer base. According to Applicants, Sprint's calling cards can be used by any person at any time and that Sprint has no knowledge of or relationship with persons that utilize its prepaid calling cards. Thus, Applicants state that customer notification of the Proposed Transaction is unnecessary

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<sup>7</sup>Id.

and would be almost impossible. Nonetheless, Sprint states that it intends to post a notice on its website informing customers that purchased a Sprint-branded pre-paid calling card that STi Prepaid is now the provider of the service and that its domestic prepaid card rates would remain in effect for a period of at least 12 months. Moreover, Applicants state that similar information would be provided to customers who, among other things, dial the toll-free customer service number or toll-free access number.

B.

Consumer Advocate's Position

On July 15, 2008, the Consumer Advocate filed its Statement of Position informing the commission that it does not object to approval of the Proposed Transaction ("CA's Statement of Position").

The Consumer Advocate's recommendation is based on, among other things, its assertion that STi Prepaid is currently a provider of prepaid calling cards, and, thus, "should already possess the technical and managerial qualifications to provide the prepaid calling card services proposed to be transferred to it from Sprint."<sup>8</sup> Additionally, according to the Consumer Advocate, the financial documents submitted in support of Applicants' request appear to indicate that STi Prepaid should have sufficient financial resources needed to sustain future operations, should the Proposed Transaction be approved. With

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<sup>8</sup>See CA's Statement of Position at 4.

regard to public interest, aside from reiterating Applicants' representations which are set forth on pages 4-5 of the Consumer Advocate's statement, the Consumer Advocate contends that the Proposed Transaction would not result in any negative market share impact to the State's telecommunications marketplace since there are numerous providers of prepaid calling cards in the State.

Moreover, the Consumer Advocate states that it concurs with Applicants' position regarding customer notification of the Proposed Transaction and their proposed plans to make the information available to customers with Sprint-branded cards.

## II.

### Discussion

HRS § 269-19 states:

No public utility corporation shall sell, lease, assign, mortgage, or otherwise dispose of or encumber 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, or any franchise or permit, or any right thereunder, nor by any means, directly or indirectly, merge or consolidate with any other public utility corporation without first having secured from the public utilities commission an order authorizing it so to do. Every such sale, lease, assignment, mortgage, disposition, encumbrance, merger, or consolidation, made other than in accordance with the order of the commission shall be void.

HRS § 269-19 (emphasis added). The purpose of HRS § 269-19 is to safeguard the public interest.<sup>9</sup>

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<sup>9</sup>See In re Honolulu Rapid Transit Co., 54 Haw. 402, 409, 507 P.2d 755, 759 (1973).

Upon review of the record in this docket, the commission finds the Proposed Transaction to be reasonable and in the public interest. The commission's decision regarding this matter is based on, among other things, Applicants' representations that the Proposed Transaction would: (1) not result in any change of control or ownership of either Sprint or STi Prepaid; (2) not affect the services available to customers of Sprint-branded prepaid calling cards since STi Prepaid would continue to provide the underlying service; and (3) not affect the rates, terms, or conditions governing the service provided to customers of Sprint-branded prepaid calling cards. Applicants further represent that upon consummation of the Proposed Transaction, both carriers will continue to offer intrastate telecommunications services in the State pursuant to their respective commission-issued authorizations.

Moreover, it appears that the Proposed Transaction is in the public interest since customers currently utilizing Sprint's prepaid calling cards should benefit through the "high quality and array of service features" offered by STi Prepaid's "state-of-the-art" services. According to Applicants, as an affiliate of Leucadia, STi Prepaid has access to the public capital markets that can support the expansion of prepaid calling card services currently offered by Sprint. Accordingly, the Proposed Transaction appears to further the commission's objective of fostering competition in the State's telecommunications market. In addition, the commission agrees with the Consumer Advocate's statement that the Proposed

Transaction should not result in any negative impacts to the State's telecommunications marketplace since there are numerous prepaid calling card providers operating in the State. Finally, the commission concurs with Applicants and the Consumer Advocate that direct customer notification of the Proposed Transaction to customers of Sprint's prepaid calling cards is unnecessary since Sprint does not have a dedicated customer base nor has knowledge of or a relationship with persons that utilize its prepaid calling cards. Applicants' proposed plan to inform Sprint's former customers of the changes resulting from the Proposed Transaction, as set forth in the Application, appear to be reasonable.

Based on the foregoing, the commission concludes that the Proposed Transaction should be approved under HRS § 269-19.

### III.

#### Orders

##### THE COMMISSION ORDERS:

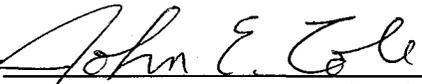
1. The Proposed Transaction, described in Applicants' Application filed on June 19, 2008, is approved, pursuant to HRSS 269-19.
2. As soon as reasonably feasible, Applicants shall file appropriate copies of the final executed sales agreement regarding the Proposed Transaction with the commission and serve the same on the Consumer Advocate.

3. Unless ordered otherwise by the commission, this docket shall be deemed closed upon Applicants' compliance with ordering paragraph no. 2, above.

DONE at Honolulu, Hawaii AUG 20 2008.

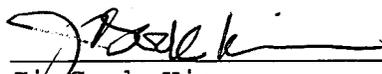
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Carlito P. Caliboso, Chairman

By   
John E. Cole, Commissioner

By   
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:

  
Ji Sook Kim  
Commission Counsel

2008-0122.cp

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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