STATE OF SOUTH CAROLINA

(Caption of Case)

Application of Applewood Communications Corporation for a Certificate of Public Convenience and Necessity to Operate as a Reseller of Interexchange Telecommunications Services Within the State of South Carolina

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

COVER SHEET

DOCKET NUMBER: 2007 - 99 - C

(Please type or print)

Submitted by: John J. Pringle, Jr.

Address: Ellis, Lawhorne & Sims, PA
PO Box 2285
Columbia SC 29202

SC Bar Number: 11208
Telephone: 803-343-1270
Fax: 803-799-8479
Other:

Email: jpringle@ellislawhorne.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ **Emergency Relief demanded in petition**

☐ **Request for item to be placed on Commission's Agenda expeditiously**

☐ **Other:**

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
☐ Electric	☐ Affidavit	☐ Letter	☐ Request
☐ Electric/Gas	☐ Agreement	☐ Memorandum	☐ Request for Certification
☐ Electric/Telecommunications	☐ Answer	☐ Motion	☐ Request for Investigation
☐ Electric/Water	☐ Appellate Review	☐ Objection	☐ Resale Agreement
☐ Electric/Water/Telecom.	☐ Application	☐ Petition	☐ Resale Amendment
☐ Electric/Water/Sewer	☐ Brief	☐ Petition for Reconsideration	☐ Reservation Letter
☐ Gas	☐ Certificate	☐ Petition for Rulemaking	☐ Response
☐ Railroad	☐ Comments	☐ Petition for Rule to Show Cause	☐ Response to Discovery
☐ Sewer	☐ Complaint	☐ Petition to Intervene	☐ Return to Petition
☒ Telecommunications	☐ Consent Order	☐ Petition to Intervene Out of Time	☐ Stipulation
☐ Transportation	☐ Discovery	☒ Prefiled Testimony	☐ Subpoena
☐ Water	☐ Exhibit	☐ Promotion	☐ Tariff
☐ Water/Sewer	☐ Expedited Consideration	☐ Proposed Order	☐ Other:
☐ Administrative Matter	☐ Interconnection Agreement	☐ Protest	
☐ Other:	☐ Interconnection Amendment	☐ Publisher's Affidavit	
	☐ Late-Filed Exhibit	☐ Report	

Print Form Reset Form

ELLIS : LAWHORNE

John J. Pringle, Jr.
Direct dial: 803/343-1270
jpringle@ellislawhorne.com

July 20, 2009

FILED ELECTRONICALLY
The Honorable Charles L.A. Terreni
Chief Clerk
South Carolina Public Service Commission
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: Application of Applewood Communications Corporation for a Certificate of Public Convenience and Necessity to Operate as a Reseller of Interexchange Telecommunications Services Within the State of South Carolina
Docket No. 2007-99-C, Our File No. 1340-11441

Dear Mr. Terreni

Enclosed is the **Testimony of Courtlandt G. Miller** filed on behalf of Applewood Communications Corporation in the above-referenced docket.

If you have any questions or need additional information, please do not hesitate to contact me.

Very truly yours,

John J. Pringle, Jr.

JJP/cr
cc: F. David Butler, Esquire (via electronic mail service)
C. Lessie Hammonds, Esquire (via electronic mail service)
Ms. Amy Duffer (via electronic mail service)

Enclosure

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2007-99-C

IN RE: Application of Applewood Communications Corporation for a Certificate of Public Convenience and Necessity to Operate as a Reseller of Interexchange Telecommunications Services Within the State of South Carolina	))))))))	**TESTIMONY OF COURTLANDT G. MILLER**

Q. Will you please state your name and business address.

A. My name is Courtlandt G. Miller. My business address is 424 Madison Avenue, Suite 800, New York, NY 10017

Q. By whom are you employed and in what capacity?

A. I am the President of Applewood Communications Corporation ("Applewood").

Q. Please describe your duties for the company.

A. I am in charge of coordinating all technical, administrative, financial and regulatory issues relating to new and/or existing services of Applewood.

1 **Q. Please give a brief description of your background and experience.**

2 A. I am the Chairman and Chief Executive Officer of Applewood. I founded Applewood
3 Communications Corporation in 2007 to create a virtual network telephony operator
4 providing a complete suite of telephone services on a private label basis to marketing
5 partners and their members. While I do not have any prior telco experience, I am a
6 seasoned senior executive, having been involved in all of the disciplines required to run a
7 company. Specifically, I practiced corporate and securities law in New York City between
8 1980 and 1988, advising my clients on a wide range of issues including capital formation,
9 mergers and acquisitions, labor law and anti-trust. Between 1988 and 1995, I was a
10 Senior Vice President and a Director of Diagnostek, Inc a New York Stock Exchange
11 listed health care company. As one of the three senior officers, the company grew from $5
12 million in sales to over $850 million in seven years. Upon its sale in 1995, Diagnostek
13 had operations in over 35 states, had over 3,500 employees and had raised over $250
14 million in capital. The company provided both mail order and retail pharmacy services for
15 major corporations including Ford, Chrysler, Goodyear and Eaton Corporation. In
16 addition, the company provided pharmacy services to over 150 hospitals and state mental
17 health institutions. Similar to the telecommunications industry, the practice of pharmacy
18 is highly regulated by each state and the Federal government. Among my many duties, I
19 had ultimate responsibility for compliance with all pharmacy rules and regulations. In this
20 regard, the company's record was exemplary. Diagnostek was sold in 1995, and I and the
21 other senior officers left the business.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to present evidence describing the technical, managerial
3 and financial fitness of Applewood to provide resold interexchange telecommunications
4 services in South Carolina. This testimony will also describe the services proposed by
5 Applewood and the proposed tariff structure. Finally, the purpose of my testimony is to
6 show that the public interest will be served by approval of the application of Applewood
7 for a certificate of public convenience and necessity.

8

9 **Q. Would you like to incorporate by reference any documents into your testimony?**

10 A. Yes. I would like to incorporate by reference the Company's application and exhibits
11 previously filed with this Commission.

12

13 **Q. Has Applewood registered to do business in South Carolina?**

14 A. Yes. Applewood received foreign corporation authority on March 21, 2007. This
15 document is attached to this Testimony as **Exhibit 1**.

16

17 **Q. Please explain the Company's corporate and ownership structure.**

18 A. Applewood is a corporation organized and existing under the laws of the State of
19 Delaware, organized on September 8, 2006 under the name Eztel Holdings, Inc. The
20 Amended and Restated Certificate of Incorporation was filed on November 5, 2006,
21 changing the name of the corporation to Applewood Communications Corporation. This
22 document was attached to the Application as Exhibit 1.

1 **Q. Please describe the services Applewood proposes to offer.**

2 A. Applicant is a reseller of long-distance telephone services offered by facilities-based inter-
3 exchange carriers. Applicant neither owns, leases, nor operates any switching, transmission,
4 or other physical facilities in the State of South Carolina, and no such facilities will be used
5 by Applicant in providing long-distance service in the State of South Carolina. Upon
6 receiving certification, Applicant intends to provide telecommunications services, including
7 outbound 1+ dialing, inbound 800/888 toll-free, VoIP, travel card and prepaid calling card
8 services, throughout the State of South Carolina. Applicant intends to provide high quality
9 services, with an industry standard blocking rate less than P.01. Its services will be available
10 on a full-time basis, twenty-four hours a day, seven days a week, to customers within the
11 geographic boundaries of the State of South Carolina. All services provided will meet the
12 service standards that the Commission may adopt.
13 With some exceptions, Applewood does not intend to own its own lines or switches but
14 rather will use the existing infrastructure of large well capitalized global
15 telecommunications companies.

16

17 **Q. Is Applewood aware of the Commission's requirement that it file a $5,000 bond or**
18 **certificate of deposit in connection with the offer or sale of prepaid debit card services?**

19 A: Yes. Applewood will comply with this requirement.

20

21 **Q. Which carrier or carriers serve as your underlying carrier?**

1 A. Applewood's primary provider will be WilTel/Level3 but Applewood will also use to
2 some extent, Globabl Crossing, ATT, Sprint and others. In this way, Applewood will not
3 incur substantial capital expenditures building a network.

4

5 **Q. Do any other carriers provide Applewood with service?**

6 A. Not at this time. Applewood will employ the services of only those carriers properly
7 certified or authorized by this Commission.

8

9 **Q. How will Applewood bill for its services?**

10 A. Applewood bills its customers directly.

11

12 **Q. How are trouble reports, billing errors and complaints handled?**

13 A. Applewood utilizes a nationwide toll-free number (877) 823-1223 for customer service.
14 Customers may call that number Monday through Friday, 9 am to 6 pm and Saturday
15 from 10 am – 4 pm, Eastern Standard Time.

16

17 **Q. Are you familiar with the tariff submitted as Exhibit 4 to the Application?**

18 A: Yes.

19

20 **Q. Was the tariff prepared under your supervision?**

21 A: Yes. It was prepared under my supervision.

1

2 **Q. Describe the proposed Applewood South Carolina tariff.**

3 A. Applewood has included a proposed interexchange tariff which contains the rules,
4 regulations and rates for Applewood's interexchange services. I believe that Applewood's
5 tariff will comport with all Orders, Rules and Regulations of the Commission, and
6 Applewood will make all changes suggested by the ORS necessary to comply with all
7 such applicable authority. Should the Application be granted, Applewood plans to
8 commence offering services immediately.

9

10 **Q. What regulatory treatment is Applewood seeking in this application?**

11 A. Applewood requests that all of its business service offerings be regulated pursuant to the
12 procedures described and set out in Commission Order Nos. 95-1734 and 96-55 in
13 Docket No. 95-661-C, as modified by Commission Order No. 2001-997 in Docket No.
14 2000-407-C. It is Applicant's intent by this request to have its business services regulated
15 in the same manner as this Commission has permitted for AT&T Communications of the
16 Southern States, Inc. ("AT&T"). Specifically, Applicant requests that the Commission:
17 (a) remove the maximum rate tariff requirements for its business services, consumer card,
18 operator service,[1] private line, and customer network-type offerings; b) presume that the
19 tariff filings for these uncapped services be valid upon filing. However, if the
20 Commission institutes an investigation of a particular filing within seven (7) days, the
21 tariff filing would be suspended until further order of the Commission; and c) grant

[1] Excepting those operator-assisted calls where a consumer uses a local exchange carrier's calling card to complete calls from locations which have not selected the local exchange carrier as their toll provider. Operator surcharges and per-minute rates for this type of call were capped by

Applicant the same treatment as AT&T in connection with any future relaxation of the Commission's reporting requirements.

Q. Is Applewood currently certified to provide intrastate resale services of the type described herein in any other states?

A. Applewood has received authority to provide telecommunications services in the following states: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming. Applewood has not been denied certification in any state.

Q. Describe Applewood's financial ability to operate as a telecommunications reseller.

A. Applewood has submitted its balance sheet to show it has the financial resources to operate successfully as a telecommunications reseller to consumers in South Carolina as Exhibit 2 to its Application. As set forth therein, Applewood has cash resources to support its operations.

Commission Order No. 2001-997, dated November 8, 2001.

Q. Do you believe Applewood is capable of delivering its proposed services in South Carolina?

A. Yes, in addition to having sufficient financial resources, Applewood has a team of competent and experienced personnel. Through its close relationships to its underlying carriers, Applewood also has access to the technical personnel necessary to provide successful and continuous telecommunications services in South Carolina.

Q. Where in South Carolina does Applewood intend to offer its services and how will those services be offered?

A. Services will be offered to business and residential customers statewide.

Q. Does the Company have offices in South Carolina?

A. No. The Company does not intend to have offices in South Carolina. Accordingly, Applewood requests, pursuant to Commission Rule 103-610, that the Commission authorize the Company to keep its books and records at its offices in Virginia. Applewood will have a registered agent in South Carolina and will bear any costs associated with inspection of its books and records by the Commission or the South Carolina Office of Regulatory Staff ("ORS").

Q. Does the Company use the Uniform System of Accounts ("USOA") to maintain its financial books and records?

A. No. Accordingly, the Company requests a waiver of Commission Rule 103-611 to the extent

that rule requires the use of the USOA, and requests permission to use Generally Accepted Accounting Principles ("GAAP").

Q. Will the Company comply with all applicable statutory and regulatory requirements of the State of South Carolina and this Commission?

A. Yes.

Q. Will the Company file all applicable reports as required by the Commission?

A. Yes. The Company is aware of the Commission's requirements that all telecommunications carriers file a report on South Carolina operations, a gross receipts report, and a universal service contribution report on an annual basis.

Q. How will South Carolina consumers benefit from Applewood's services?

A. Applewood's proposed services will provide alternative services of the highest quality, will provide increased consumer choice in billing options, and will offer increased diversification and increased reliability of communications services. Our service offerings will enhance competition for telecommunications services in this state because the addition of another supplier of telephone service will increase competition in terms of price and quality of service for the business of telephone service consumers.

Q. Does this conclude your testimony?

A. Yes it does.