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Nov 15, 2007

**TO: PUBLIC SERVICE COMMISSION**

**FROM: DIVISION OF PUBLIC UTILITIES**

Jeffery Millington, Director  
Laura Scholl, Manager, Telecommunications  
Bill Duncan, Technical Consultant

**Re: Application of Sage Telecom, Inc for a Certificate of Public Convenience and Necessity authorizing it to provide resold and facilities based local exchange and interexchange services in Docket No. 07-2485-01**

**Recommendation:**

The Division recommends the Public Service Commission approve the application of Sage Telecom, Inc. for a Certificate of Public Convenience and Necessity ("CPCN") to provide resold and facilities based local exchange and interexchange service. In reviewing the application the Division has found the application to be in compliance with R746-349-3. The Division believes that the public interest will be served by recommending that the Commission allow the Applicant a CPCN as requested under the same terms and conditions allowed in other CPCNs.

The Division also recommends that the \$100,000 bond be waived on the basis that the Applicant will not require customer deposits or prepayments of any kind.

The Division further recommends that the certificate be limited to local exchanges within the Qwest service area.

**Summary:**

Sage Telecom ("Applicant") CPCN on September 6, 2007. The Division has reviewed the application and found the following:

The Applicant plans to operate as a provider of resold and facilities-based local exchange and interexchange telecommunications services in the Qwest Service area. Sage has amended the original application which asked for statewide authority.

Sage has supplied audited financial statements that show the Applicant has a positive net worth and has sufficient working capital. The Applicant appears to have sufficient cash flow to meet cash needs, according to a five-year projection of expected operations. The financial statements have also been reviewed by a Division auditor and found to comply with GAAP standards.

Summaries of professional experience and education of its managerial personnel demonstrate that the Applicant has considerable experience in the telecommunications industry. It is currently authorized to provide local exchange service in Arkansas, California, Connecticut, Illinois, Indiana, Kansas, Michigan, Missouri, Ohio, Oklahoma, Texas and Wisconsin.

The Applicant has provided details of unauthorized switching of customers ("slamming") between June, 2003 and March 2005. Sage states as a result of increased training and policies for Sage telemarketers, there have been no findings by the FCC of slamming since March 29, 2005. These policies require that customers sign a letter of authorization or have third party verification prior to processing a change order. Sage has provided copies of their policies to the Division. The Division believes these policies will provide adequate protection to consumers if followed.

#### Attachment

cc: Brett Ferenchak, Bingham McCutchen LLP  
Division of Public Utilities  
Michael Ginsberg, Assistant Attorney General  
Committee of Consumer Services