

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF UNIDIAL INCORPORATED)
FOR CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO OPERATE AS AN) CASE NO. 93-328
INTEREXCHANGE TELECOMMUNICATIONS)
RESELLER WITHIN THE COMMONWEALTH OF)
KENTUCKY)

O R D E R

IT IS ORDERED that UniDial Incorporated ("UniDial") shall file the original and ten copies of the following information with the Commission. The information requested shall be placed in a bound volume with each item tabbed.

The information requested herein is due no later than 30 days from the date of this Order. If the information cannot be provided by this date, UniDial shall submit a motion for an extension of time stating the reason a delay is necessary and include a date by which the information can be furnished. Such motion will be considered by the Commission.

1. Identify the tariffed services which UniDial intends to purchase from its facilities-based carrier for resale and specify whether these services will be obtained from intrastate or interstate tariffs.

2. If UniDial intends to resell services that are not available under an approved tariff, provide copies of the contracts which govern the terms of the agreement between UniDial and its facilities-based carrier.

3. State whether UniDial is aware of and able to comply with the provisions of this Commission's Administrative Case No. 323¹ and how the provisions of that proceeding will apply to UniDial's Kentucky operations.

4. Refer to the information contained in Appendix A, attached hereto and incorporated herein.

a. Is UniDial providing intrastate service at this time as mentioned in the article?

b. Does UniDial currently have 500 customers?

c. Does UniDial intend for its distributors to set their own retail rates?

d. Will each distributor file a tariff containing rates and services with the Commission?

5. Refer to page 4 of UniDial's application filed September 7, 1993, paragraph 9.

a. What type of service will be available through the travel card long-distance telecommunications service?

b. Will users of the travel card service obtain access to it only through an 800 number?

c. Is the travel card service an 0+ operator service? If not, why?

¹ Administrative Case No. 323, An Inquiry Into IntraLATA Toll Competition, An Appropriate Compensation Scheme for Completion of IntraLATA Calls by Interexchange Carriers, and WATS Jurisdictionality, Phase I, Order Dated May 6, 1991.

6. Refer to UniDial's proposed tariff, filed September 7, 1993, and provide revised tariff sheets for the following items:

a. Refer to Original Page 11, Heading 2.9, Payment for Service. Insert the following language at the end of the paragraph:

The late payment fee will not be assessed on unpaid penalty charges and any payment received shall first be applied to the bill for services rendered.

b. Refer to Original Page 11, Heading 2.10, Cancellation by Customer. Substitute the following language:

Any customer desiring service terminated or changed shall give UniDial 3 working days notice in person, in writing, or by telephone, provided such notice does not violate contractual obligations or tariff provisions.

c. Refer to Original Page 12, Subheading 2.12(d). Insert the following language at the end of the subheading:

Such action shall be taken only when corrective action negotiated between the utility and customer has failed to resolve the situation.

d. Refer to Original Page 13, Subheading 2.12(j). Insert the following language at the end of the subheading:

A customer who has complied with Commission regulations shall not be denied service for failure to comply with the utility's rules which have not been made effective in the manner prescribed by the Commission.

e. Refer to Original Page 14, Heading 2.15, Interruption of Service. Provide the formula used to calculate the amount credited to a customer's account for a failure of service.

f. Refer to Original Page 24, Heading 4.8, Directory Assistance. The directory assistance usage charge must not exceed AT&T's maximum rate of \$.60 per call. If UniDial will not be providing this service, why is this rate stated in your tariff?

Done at Frankfort, Kentucky, this 12th day of November, 1993.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director



STAFF PHOTO BY PAUL BOHLMANN

J. Sherman Henderson, left, and Finley Garvin are back in the long-distance telephone business with UniDial Inc., a new Louisville company.

Pair dial back in to phone industry on marketing side

By RIC MANNING, Business Writer

J. Sherman Henderson and Finley Garvin aren't joking when they say that in five years they could be running the marketing arm of the nation's fourth-largest long-distance telephone network.

The partners aren't exactly moguls in the telephone industry. Henderson came from the real estate business, and Garvin's company made fasteners.

In the 1980s they invested in a small long-distance company, and in 1989 they took over and revived seven TMC franchises that had been in bankruptcy.

They renamed the company Charter Network, expanded it and saw revenue grow to \$30 million a year, from about \$9 million, in less than four years. In 1989 they sold the business to LiTel Communications for about \$40 million.

Now Henderson and Garvin are back in the long-distance business with a Louisville company, UniDial Inc.

UniDial is hooked up with Williams Telecommunications Group Inc., known as WiTel, a subsidiary of an Oklahoma oil- and gas-pipeline company that built a nationwide fiber-optic network piggybacked on its pipelines.

Until recently, WiTel was content to sell large blocks of time on its network to small, regional long-distance phone companies and large-scale data users.

"We like to play on the wholesale side," said Kevin Moran, a WiTel Carrier account representative.

But as consolidations reduced that customer base, WiTel charted a move into retail sales that could put it in the

NETWORK

Continued from Back Page

big leagues with American Telephone & Telegraph Co., MCI and Sprint.

WiTel already had the network; what it needed was a marketing force.

That's where UniDial comes in.

Henderson and Garvin plan to create a sales force of hundreds of independent agents throughout the country who will sell long-distance service through WiTel.

For an initial fee of \$25,000, agents get the right to buy and resell time on the network at a price of about 12.5 cents a minute (consumers pay an average of about 18 cents a minute).

UniDial's wholesale price is a little higher than what some other networks charge resellers, but Henderson said the UniDial deal includes other features and incentives.

For example, UniDial distributors will be able to set their own retail rates, depending on the local com-

petition. Henderson expects the profit margin to be between 20 percent and 25 percent.

Also, UniDial will handle all the billing, collection and network service chores.

The agents also will get a bonus if and when Henderson and Garvin sell the business.

"If we're billing \$100 million a year, and you're contributing \$5 million of that total, you get a check for 25 percent, or \$1.25 million," Henderson said.

"Their sales plan is unique. It's unlike anything we've seen before," said WiTel's Moran. "They're offering their agents an equity position. To my knowledge, that's a first."

The arrangement sounds like a franchise deal, but Garvin says that, under the law, it's not.

"It's an agency agreement, not a franchise," he said. "It's the same as if you were an agent for State Farm Insurance. All we want the agents to do is be marketers."

Henderson said UniDial now has a staff of about 15 people at its offices on Shelbyville Road. Within a year, it expects to have 60 to 80 people working in Louisville and 40 others scattered around the country.

After only three weeks in business, the company has seven distributors and more than 500 customers. UniDial's strategic plan envisions \$10 million in revenue after one year and 400 agents bringing in \$200 million in revenue after five years.

"These are not ambitious numbers at all," Garvin insisted.

UniDial would need only a tiny portion of the \$55 billion a year spent on long-distance services to reach its target.

And Henderson and Garvin believe the market will grow faster as communication and entertainment companies create more traffic for the telecommunication networks.

"We think our timing is excellent because everyone is going to be in it," Henderson said.