

Filed Session of May 16, 2013  
Approved as Recommended  
and so Ordered  
By the Commission

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JEFFREY C. COHEN  
Acting Secretary

Issued and Effective May 20, 2013

STATE OF NEW YORK  
DEPARTMENT OF PUBLIC SERVICE

May 2, 2013

TO: THE COMMISSION

FROM: Office of Accounting, Audits and Finance

SUBJECT: CASE 13-C-0192 - In the Matter of the Joint Petition of Global Tel\*Link Corporation, Value-Added Communications, Inc., DSI-ITI, LLC, and Public Communications Services, Inc. for Approval of Issuance of Debt and Related Financing Transactions.

SUMMARY OF

RECOMMENDATION: Staff recommends the Commission authorize Global Tel\*Link, Value-Added Communications, Inc., DSI-ITI, LLC and Public Communication Services, Inc. to issue up to \$590 million of debt as well as secure additional credit of up to \$605 million.

SUMMARY

By Petition dated May 1, 2013, pursuant to Section 100 of the Public Service Law (PSL), Global Tel\*Link Corporation (GTL), Value-Added Communications, Inc. (VAC), DSI-ITI, LLC (DSI), and Public Communications Services, Inc. (PCS) (collectively Petitioners), request approval to issue up to \$590 million of debt as well as secure additional credit of up to \$605 million. The proposed financing is expected to be transparent to customers as it is solely for financing arrangements. Moreover, it is stated that it will enhance the Petitioners status as viable competitors in New York by

providing added capital for the Petitioners to continue to provide service on an uninterrupted basis and allow them to expand operations, including in New York. Thus, Commission approval of the transaction is recommended.

BACKGROUND

The Petitioners are part of a complex holding company structure that is described in detail in the Petition.<sup>1</sup> These entities are engaged in the business of providing managed telecommunications services to inmates of state and county departments of corrections and in owning and operating prison payphones and public payphones throughout the United States.

GTL, VAC and PCS are authorized to resell all forms of telephone service<sup>2</sup> and currently provide managed inmate services in New York. DSI is direct subsidiary of GTL, which is the sole managing member of DSI. The Petitioners seek approval to participate in a series of debt financing transactions that will in aggregate result in the issuance of up to \$590 million of debt as well as securing additional credit of up to \$605

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<sup>1</sup> Petition, pp. 3-7.

<sup>2</sup> GTL is authorized to resell all forms of telephone services pursuant to a Certificate of Public Convenience and Necessity (CPCN) issued on September 9, 1994 in Case 93-C-0801. PCS operates in New York pursuant to a CPCN issued on December 9, 1998 and amended on October 22, 2004 in Case 98-C-1588. VAC is authorized to operate as a reseller of telephone Service pursuant to a CPCN issued on November 28, 1990 in Case 90-C-0843.

million.<sup>3</sup> The Petition states that these entities will continue to provide telephone services in New York at the same or similar rates, terms and conditions without any immediate changes after the proposed financing transactions.

The Petitioners maintain the proposed financing is in the public interest and will not adversely affect their operations. Specifically, the Petition states:

1. the proposed financing increases competition in the New York telecommunications market by reinforcing Petitioners' status as a viable competitor and ensuring that the Petitioners can continue to provide service on an uninterrupted basis;
2. the proposed financing will allow the Petitioners to significantly expand their operations, including in New York; and,
3. the Proposed Financing is solely for financial arrangements that will not affect the day-to-day operations of Petitioners and will be entirely transparent to its customers.

The Petition further states that the proposed financing is expected to support competition in New York. In particular, it will provide the Petitioners with additional capital that will let them to continue to compete effectively as leading providers of payphone and inmate-only payphone services. The additional financing provided will also allow the Petitioners to continue to execute their business plans and offer alternative high-quality, competitively priced services to a substantial number of potential customers in their operating areas.

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<sup>3</sup> The specific proposed financing transactions are detailed on pp. 8-9 of the Petition.

At the same time, the Petition maintains, the proposed financing will be entirely transparent to existing customers. It does not create any new owners of the Petitioners and will not affect the day-to-day management of Petitioners or the services they provide. It is financial in nature and will not affect the rates, terms and conditions under which Petitioners operate.

Finally, the Petition notes the proposed financing will not adversely affect the operation of the New York certificated carriers.

#### DISCUSSION

We believe that the proposed financing will facilitate the continuation of a competitive telecommunications market by providing the capital needed to maintain existing facilities and expand them as needed. Given the expected lack of impact on current customers, and the competitive nature of this market, Staff does not have any concerns with the request found in the Petition. Based on the representations by the Petitioner, Staff recommends approval.

RECOMMENDATION

It is recommended that:

1. The Commission approve the Petition and this case be closed.

Respectfully submitted,

CHARLES R. REUBENS  
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