



Federal Communications Commission
Washington, D.C. 20554

July 15, 2020

Via Electronic Mail

DA 20-740

Chérie R. Kiser
Counsel for Global Tel*Link Corporation
and its Subsidiaries
Cahill Gordon & Reindel LLP
1990 K Street, N.W.
Washington, DC 20006

**Re: Request for Information and Documents Regarding Global Tel*Link Corporation's
Inmate Calling Services Costs (WC Docket No. 12-375)**

Dear Ms. Kiser:

On March 1, 2019, Global Tel*Link Corporation and its subsidiaries (collectively, GTL) filed a response to the Second Mandatory Data Collection issued in connection with the Commission's proceeding on inmate calling services.¹ On May 19, 2020, GTL submitted an amended and restated response to the Second Mandatory Data Collection in response to requests from Commission staff.² After review of GTL's submissions, the Wireline Competition Bureau (Bureau) concludes that additional documents and information regarding GTL's operations, costs, revenues, and cost allocation procedures are required for the Commission to make a full and meaningful evaluation of GTL's cost data and methodology.

Accordingly, pursuant to sections 4(i), 4(j), 220(c), and 403 of the Communications Act of 1934, as amended (the Act),³ sections 0.91 and 0.291 of the Commission's rules,⁴ and the authority delegated to

¹ *Wireline Competition Bureau Reminds Providers of Inmate Calling Services of the March 1, 2019 Deadline for Data Collection Responses*, Public Notice, 34 FCC Rcd 515 (WCB 2019); *see also Rates for Interstate Inmate Calling Services*, WC Docket No. 12-375, Second Report and Order and Third Further Notice of Proposed Rulemaking, 30 FCC Rcd 12763, 12862, para. 198 (2015) (*2015 ICS Order*) (adopting "a second, one-time Mandatory Data Collection to occur two years from publication of Office of Management and Budget (OMB) approval of the information collection").

² *See generally* Letter from Chérie R. Kiser, Counsel for Global Tel*Link Corporation, Cahill Gordon & Reindel LLP, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 12-375 (filed May 19, 2020).

³ 47 U.S.C. §§ 154(i), (j) (providing the Commission authority to "perform any and all acts, make such rules and regulations, and issue such orders . . . as may be necessary in the execution of its functions" and permitting the Commission to "conduct its proceedings in such manner as will best conduce to the proper dispatch of business and to the ends of justice"); 47 U.S.C. § 220(c) (providing the Commission with "access to and the right of inspection and examination of all accounts, records, and memoranda . . ."); 47 U.S.C. § 403 (providing "full authority and power at any time to institute an inquiry" concerning any question arising under the Act or relating to enforcement of any provision of the Act).

⁴ 47 CFR §§ 0.91, 0.291 (delegating to the Bureau, subject to exceptions not applicable here, administration of "the provisions of the Communications Act requiring that the charges, practices, classifications, and regulations of communications common carriers providing interstate and foreign services are just and reasonable"); *see* 47 U.S.C. § 155(c) (providing authority for the Commission to delegate its functions when "necessary to the proper functioning of the Commission and the prompt and orderly conduct of its business"); 47 CFR § 0.201(d) (authorizing the Commission to delegate its functions by order for a particular matter or proceeding).

the Bureau in the *2015 ICS Order*,⁵ the Bureau directs GTL to provide written responses and supporting documentation for each request set forth in the attached Information and Document Request. GTL's responses to the attached Information and Document Request are due no later than **September 14, 2020**. Please submit narrative responses to these Information Requests in electronic form. Submit responsive or supporting documents in electronic form only, unless otherwise specified. A company officer with knowledge of the underlying information must attest to the accuracy of all of the information GTL submits.

GTL's responses, including any materials filed pursuant to the Protective Order issued in this proceeding, must be filed with Marlene H. Dortch, Secretary, Federal Communications Commission, in WC Docket No. 12-375, and in accordance with the Commission's temporary filing measures related to COVID-19.⁶ Finally, please provide William A. Kehoe, william.kehoe@fcc.gov, with one complete electronic copy of any and all responsive materials at the same time such responses are filed with the Commission, including any materials filed pursuant to that Protective Order.

If you have any questions regarding this matter, please contact William A. Kehoe at (202) 418-7122 or at the email address provided above. The Bureau looks forward to receiving GTL's responses.

Sincerely,



Kris Anne Monteith
Chief
Wireline Competition Bureau

Attachment

⁵ *2015 ICS Order*, 30 FCC Rcd at 12863, para. 201 (delegating to the Bureau the "authority to require an [inmate calling services] provider to submit such data as the Bureau deems necessary to perform its review" of the information submitted in response to the mandatory data collection).

⁶ *Rates for Interstate Inmate Calling Services*, WC Docket No. 12-375, Protective Order, 28 FCC Rcd 16954 (WCB 2013); *FCC Announces Closure of FCC Headquarters Open Window and Change in Hand-Delivery Policy*, Public Notice, 35 FCC Rcd 2788 (2020), <https://www.fcc.gov/document/fcc-closes-headquarters-open-window-and-changes-hand-delivery-policy>.



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ATTACHMENT

Information and Document Request

Definitions

The term GTEL Holdings, Inc. and Subsidiaries means GTEL Holdings, Inc. and its direct and indirect subsidiaries including Global Tel*Link Corporation (GTL), Value-Added Communications, Inc. (VAC), Public Communications Services, Inc. (PCS), DSI-ITI, Inc., and Telmate, LLC along with other nonregulated, non-inmate calling services operations.⁷

The term GTL means Global Tel*Link Corporation, a subsidiary of GTEL Holdings, Inc., and DSI-ITI, Inc., PCS, VAC, Telmate, LLC, and any other direct or indirect subsidiaries that provide inmate calling services.⁸

The term “ICS” means Inmate Calling Service, as that term is defined in the Code of Federal Regulations.⁹

The term “documents” means all written, printed, recorded, or electronically stored information of any kind in the possession, custody, or control of GTEL Holdings, Inc. and Subsidiaries.

The term “Site Commission” has the same meaning here as it does in the Code of Federal Regulations.¹⁰

General Instructions

File any information that should be afforded confidential treatment pursuant to the guidance and limitations in the *Protective Order* in this proceeding¹¹ and consistent with applicable guidance regarding the Commission’s confidentiality rules.¹²

⁷ Global Tel*Link Corporation and its Subsidiaries, Response to Second Mandatory Data Collection, Amended and Restated Description and Justification, WC Docket No. 12-375, at 7 (filed May 19, 2020) (identifying entities of GTEL Holdings, Inc. and Subsidiaries).

⁸ *Id.* at 1 n.1 (“This amended and restated response to the second, one-time mandatory data collection is being filed by GTL on behalf of itself and its wholly owned subsidiaries that also provide inmate calling services: DSI-ITI, Inc., Public Communications Services, Inc., Value-Added Communications, Inc., and Telmate, LLC.”); *id.* at 17 (identifying “Global Tel*Link Corporation and its subsidiaries DSI-ITI, Inc., Public Communications Services, Inc., Value-Added Communications, Inc. and Telmate, LLC” collectively as GTL); *see also* ASP GTEL HOLDCO, LLC et al. Application for Consent to Transfer Control pursuant to Section 214 of the Communications Act of 1934, WC Docket No. 11-184, at Exh. B (Post-Transaction Organizational Chart) (filed Nov. 2, 2011); Joint Application of Legacy Long Distance International, Inc. d/b/a Legacy Inmate Communications and Global Tel*Link Corporation for Consent to Assign Assets and/or Transfer Control of Certain Assets pursuant to Section 214 of the Communications Act of 1934, WC Docket No. 20-218, at 7-8 (filed July 8, 2020).

⁹ 47 CFR § 64.6000(j).

¹⁰ 47 CFR § 64.6000(t).

All spreadsheets filed in response to this Information and Document Request must be filed as fully operational spreadsheets in native Microsoft Excel electronic format. All spreadsheet cells that contain entries that are references to or calculations based on other spreadsheet cells must include the formulas for such references or calculations. This includes references and calculations based on entries in different worksheets within the same workbook file.

Where a response is required, identify the source for any data or any document relied upon in the response.

Information and Document Request

1. List all subsidiaries and affiliates of GTEL Holdings, Inc. and Subsidiaries. Identify the lines of business of GTEL Holdings and of each affiliate and subsidiary, as well as the revenues for each line of business separately for calendar years 2017, 2018, and 2019. Identify and describe in detail all of GTEL Holdings and Subsidiaries' businesses, including the nature of the services or products that each business produces and sells. State the percentage of GTEL Holdings and Subsidiaries' total revenues accounted for by each of these businesses.
2. Specifically identify each service, including each transmission service and ancillary service, included within GTL's ICS operations. State whether GTL classifies each of these services as a service for or in connection with GTL's provision of ICS.
3. Provide the following data in the aggregate for all of the operations of GTEL Holdings, Inc. and Subsidiaries, for calendar years 2017, 2018, and 2019 for Requests 3.a – 3.d:
 - a. gross investment (gross book value of an asset, i.e., prior to subtracting accumulated depreciation or amortization), accumulated depreciation or amortization, deferred state and federal income taxes, and net investment (net book value of an asset, i.e., after subtracting accumulated depreciation or amortization), each separately reported for each of the following assets: tangible assets, identifiable intangible assets, and goodwill;
 - b. capital costs, expressed as annual figures, separately for depreciation expense related to tangible assets, amortization expense related to identifiable intangible assets, and amortization expense related to goodwill, state and federal income tax expense, and interest expense;
 - c. operating expenses, expressed as annual figures, separately at a minimum for service, maintenance, and repair of plant, equipment, and facilities; originating, switching, transporting, and terminating ICS calls; security features relating to the provision of ICS; payment of Site Commissions; billing, collection, and customer care; general and administrative expense; other overhead expense; tax expense other than income tax expense; and bad debt expense; and
 - d. federal and state corporate income tax rates applicable to GTEL Holdings, Inc. and Subsidiaries' ICS operations, and a composite of these individual state corporate income tax rates.

¹¹ *Rates for Interstate Inmate Calling Services*, WC Docket No. 12-375, Protective Order, 28 FCC Rcd 16954 (2013).

¹² *See Enforcement Bureau Reminds Public that Requests for Confidentiality Must Cover Only Material Warranting Confidential Treatment Under the Commission's Rules*, Public Notice, DA 20-579 (EB June 18, 2020).

4. Provide a detailed explanation and detailed spreadsheets showing the investment and expense data (without separation between state and federal jurisdictions) separately for GTL's ICS operations for calendar years 2017, 2018, and 2019 for the following:
 - a. gross investment (gross book value of an asset, i.e., prior to subtracting accumulated depreciation or amortization), accumulated depreciation or amortization, deferred state and federal income taxes, and net investment (net book value of an asset, i.e., after subtracting accumulated depreciation or amortization), each separately reported for each of the following assets: tangible assets, identifiable intangible assets, and goodwill;
 - b. capital costs, expressed as annual figures, separately for depreciation expense related to tangible assets, amortization expense related to identifiable intangible assets, and amortization expense related to goodwill, state and federal income tax expense, and interest expense; and
 - c. operating expenses, expressed as annual figures, separately for service, maintenance, and repair of plant, equipment, and facilities; originating, switching, transporting, and terminating ICS calls; security features relating to the provision of ICS; payment of Site Commissions; billing, collection, and customer care; general and administrative expense; other overhead expense; tax expense other than income tax expense; and bad debt expense.

In doing so, directly assign to ICS the investments and expenses that are directly attributable to ICS. A share of common investments and expenses (i.e., investment and expenses that are not directly assignable to ICS or to any single non-ICS line of business) may be allocated to ICS using GTL's choice of a reasonable, cost-causative method of allocation,¹³ which must be fully explained and justified, except as GTL is directed to use an alternative allocator below in Requests 8, 9, 10, and 11.

5. Provide a detailed explanation and detailed spreadsheets showing the direct assignment of the investments and expenses in Requests 4.a – 4.c above to ICS operations and to non-ICS operations.
6. Provide a detailed explanation and detailed spreadsheets showing the allocation of common investments and expenses (i.e., investment and expenses that are not directly assigned) in Requests 4.a – 4.c above to ICS operations and to non-ICS operations.
7. Provide a detailed explanation and detailed spreadsheets showing the annual revenue requirement for GTEL Holdings, Inc. and Subsidiaries' ICS operations separately for calendar years 2017, 2018, and 2019. The annual revenue requirement is defined as the sum of the annual capital costs (i.e., cost of money expressed as a return on net investment calculated after adjusting net investment by subtracting deferred state and federal taxes and assuming a 10.625% rate of return to compensate both debt holders and equity holders, depreciation expense, amortization expense, and state and federal income tax expense attributable to the fraction of the return attributable to equity holders) and the

¹³ This allocation shall not be performed using a revenue-based allocator. *See Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities*, CC Docket No. 86-111, Report and Order, 2 FCC Rcd 1298, 1318, para. 160 (1987) (recognizing that “revenues measure only the ability of an activity to bear costs, and not the amount of resources used by the activity”) (internal quotation marks omitted).

annual operating expenses.¹⁴ In developing the annual revenue requirement, directly assign and allocate separately for 2017, 2018, and 2019 investment and expenses to ICS as reported above in Requests 5 and 6, respectively.

8. Provide the following separately for calendar years 2017, 2018, and 2019 for Requests 8.a – 8.c:
 - a. The number of GTEL Holdings, Inc. and Subsidiaries' full-time equivalent employees (in whole numbers) that are dedicated to performing work activities directly attributable to the provision of ICS. Dedicated employees are defined as those spending at least 80% of their time performing work activities directly attributable to ICS.¹⁵ Provide a clear explanation of what this calculation is based on.
 - b. The number of GTEL Holdings, Inc. and Subsidiaries' full-time equivalent employees (in whole numbers) that are dedicated to performing work activities directly attributable to one of GTEL Holdings, Inc. and Subsidiaries' non-ICS businesses reported separately for each of these businesses. Dedicated employees are defined as those spending at least 80% of their time performing work activities directly attributable to a particular business. Provide a clear explanation of what this calculation is based on.
 - c. Calculate and report the percentage of total dedicated employees that are dedicated to ICS by dividing the response to 8.a. by the sum of the responses to 8.a and 8.b.
9. Restate on a detailed spreadsheet the allocations of common investments and expenses to ICS operations identified in Request 6 above, using as the allocator the percentage of GTEL Holdings, Inc. and Subsidiaries' full-time equivalent dedicated employees who perform work directly attributable to ICS, as reported separately for calendar years 2017, 2018, and 2019 in the response to Request 8.c.
10. Provide a detailed explanation and detailed spreadsheets showing a second calculation of the annual revenue requirement for ICS separately for calendar years 2017, 2018, and 2019. This annual revenue requirement must reflect the investments and expenses directly assigned to ICS in response to Request 5 above, the common investments and expenses allocated to ICS in response to Request 9, and a 10.625% rate of return to compensate both debt holders and equity holders.

¹⁴ The 10.625% rate of return is the average of the Commission's authorized rates of return for 2018. *See Connect America Fund et al.*, WC Docket Nos. 10-90 and 14-58, CC Docket No. 01-92, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087, 3212, para. 326 (2016).

¹⁵ Requests 8.a-b. require data used to develop a direct labor cost allocator based on the calculation in Request 8.c for common investment and expenses. Use of a percentage greater than 80% of an employee's time dedicated to a particular business (either ICS or a non-ICS business but only one particular business) to define a labor cost as a direct cost could distort the data we are seeking. For example, a 100% rule could be interpreted to mean that if employees spend any time interacting with headquarters, or filling in timesheets, or processing data ultimately for use by headquarters, then those employees are not spending 100% of their time working on a particular business, even if the employees are working solely on that business when they are not doing such things. To avoid this boundary difficulty, we define a labor cost as a direct cost of a particular business when 80% or more of an employee's time is dedicated to work on a particular business.

11. Restate on a detailed spreadsheet the allocations of common investments and expenses to ICS operations identified in Request 6 above. Allocate the common investments and expenses instead using the percentage of directly assigned investments to ICS developed in Request 5 above.
12. Provide a detailed explanation and detailed spreadsheets showing a third calculation of the annual revenue requirement for ICS separately for calendar years 2017, 2018, and 2019. This annual revenue requirement must reflect the investments and expenses directly assigned to ICS in response to Request 5 above, the common investments and expenses allocated to ICS in response to Request 11, and a 10.625% rate of return to compensate both debt holders and equity holders.
13. Identify the specific types of investments and expenses directly assigned to ICS operations in Request 5 above that are attributable to individual contracts. For calendar year 2018, directly assign those investments and expenses to individual contracts to the extent possible. Identify the best allocator to use to allocate the remaining portions of those investments and expenses to individual contracts. Explain the rationale for use of this allocator for this purpose.
14. Submit copies of the following five contracts whose costs are reflected in GTL's response to the Second Mandatory Data Collection (and are identified in that response as set forth below) along with the associated Requests for Proposals:
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¹⁶ Material set off by double brackets {{ }} is confidential and is redacted from the public version of this document.