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DOCKET NO. 53233

APPLICATION OF DRAUPNIR	§	PUBLIC UTILITY COMMISSION
INFRASTRUCTURE GROUP, INC.	§	
FOR A CERTIFICATE OF OPERATING	§	OF TEXAS
AUTHORITY	§	

**COMMISSION STAFF’S RECOMMENDATION ON
SUFFICIENCY OF THE APPLICATION**

On February 15, 2022, Draupnir Infrastructure Group, LLC (Draupnir) filed an application for approval of a certificate of operating authority (COA), pursuant to Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 54.101-.111 (PURA) and 16 Texas Administrative Code (TAC) § 26.111. Draupnir filed an application requesting a COA to provide facilities-based, data, and resale telecommunication services throughout Texas. Draupnir is requesting a COA be issued under the name “Draupnir Infrastructure Group, LLC.”

Order No. 1, filed on February 18, 2022, directed the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a recommendation on the sufficiency of the application by March 4, 2022. Therefore, this pleading is timely filed.

I. RECOMMENDATION ON SUFFICIENCY

After reviewing the application and supplemental information filed in this docket, and as described in the attached memoranda of Rosalie Branham of the Commission’s Customer Protection Division and Mark Filarowicz of the Commission’s Rate Regulation Division, Staff has determined that Draupnir failed to provide all of the information required under 16 TAC § 26.111(d)(3) and 16 TAC § 26.111(f)(1), (2), and (3). Therefore, Staff recommends that the application be found deficient.

II. PROPOSED PROCEDURAL SCHEDULE

In accordance with Staff’s deficiency recommendation, Staff proposes the following procedural schedule:

Event	Date
Deadline for Draupnir to cure the deficiencies identified in Commission Staff’s memorandum	March 18, 2022

Deadline for Commission Staff to file a supplemental recommendation on the supplemented application	April 8, 2022
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III. CONCLUSION

For the reasons discussed above, Staff respectfully requests the entry of an order finding the application deficient and adopting the proposed procedural schedule.

Dated: March 4, 2022

Respectfully submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

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/s/ Jenna Keller
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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on March 4, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Jenna Keller
Jenna Keller

Public Utility Commission of Texas

Memorandum

TO: Jenna Keller, Attorney
Legal Division

FROM: Rosalie Branham, License and Permit Specialist
Customer Protection Division

DATE: March 4, 2022

RE: Docket No. 53233: *Application of Draupnir Infrastructure Group, LLC for a Certificate of Operating Authority*

DEFICIENCY & COMPLETENESS RECOMMENDATION

On February 15, 2022, Draupnir Infrastructure Group, LLC (Draupnir) filed an application under Public Utility Regulatory Act, Tex. Util. Code Ann. § § 54.101-.111 and 16 Texas Administrative Code (TAC) § 26.111 for a certificate of operating authority (COA). Draupnir filed an application requesting a COA to provide facilities-based, data, and resale telecommunications services throughout the State of Texas.

Under 16 TAC § 26.111(d)(3), I recommend that the application filed by Draupnir is insufficient for the following reasons:

- 1) Question No. 3(d) – Draupnir is required to provide information regarding its certificate name and registration with the Texas Secretary of State’s Office (SoS), as well as its registration with the Texas Comptroller’s Office (Comptroller). Draupnir’s response indicated that its Comptroller registration is in progress. However, a search of the SoS website revealed that Draupnir has an established Comptroller tax identification number which indicates an active Comptroller registration. Therefore, I recommend that Draupnir amend its application to revise its response to question 3(d) to provide its existing Comptroller tax identification number.
- 2) Question Nos. 13(a), 13(c), and 14(b) – Draupnir provided a “N/A” response to these three questions in its application. However, an “N/A” response is insufficient and

unacceptable. Therefore, I recommend that Draupnir amend its application to provide sufficient information to satisfy the three questions.

- 3) Question No. 14(c) - Draupnir is required to provide a detailed description or individual resumes setting forth the qualifications of its key personnel. Draupnir's application only provided one key person and the requirement is to list all key personnel. Therefore, Draupnir's response is insufficient.

From a technical perspective, I have reviewed Draupnir's application and found it to be deficient in that Draupnir failed to provide all of the required information under 16 TAC § 26.111 in its application. Therefore, I recommend that Draupnir's application is insufficient for further review.

Public Utility Commission of Texas

Memorandum

TO: Jenna Keller, Attorney
Legal Division

FROM: Mark Filarowicz, Senior Financial and Accounting Analyst
Rate Regulation Division

DATE: March 4, 2022

RE: Docket No. 53233 – *Application of Draupnir Infrastructure Group, LLC for a Certificate of Operating Authority*

Sufficiency Recommendation

Regarding Completeness of Application from a Financial Perspective

Application

On February 15, 2022, Draupnir Infrastructure Group, LLC (Draupnir) filed an application for a new certificate of operating authority (COA).¹

On February 18, 2022, the administrative law judge filed Order No. 1, requiring the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a sufficiency recommendation on or before March 4, 2022.

For the reasons explained in this memorandum, I recommend that the application for a COA be found deficient from a financial perspective.

Analysis

This recommendation addresses the financial requirements of 16 Texas Administrative Code (TAC) § 26.111(f)(1), (2), and (3) that an applicant for a COA must meet. The financial requirements for certification under 16 TAC § 26.111(f) state:

¹ Application (Feb. 15, 2022).

(1) To obtain facilities-based certification, an applicant must demonstrate shareholders' equity of not less than \$100,000. To obtain resale-only or data-only certification, an applicant must demonstrate shareholders' equity of not less than \$25,000.

(2) For the period beginning on the date of certification and ending one year after the date of certification, the certificate holder shall not make any distribution or other payment to any shareholders or affiliates if, after giving effect to the distribution or other payment, the shareholders' equity of the certificate holder is less than the amount required by this paragraph. The restriction on distributions or other payments contained in this paragraph includes, but is not limited to, dividend distributions, redemptions and repurchases of equity securities, or loans or loan repayments to shareholders or affiliates.

(3) Shareholders' equity shall be documented by an audited or unaudited balance sheet for the applicant's most recent quarter. The audited balance sheet shall include the independent auditor's report. The unaudited balance sheet shall include a sworn statement from an executive officer of the applicant attesting to the accuracy, in all material respects, of the information provided in the unaudited balance sheet.

Draupnir submitted an unaudited balance sheet for itself as of February 1, 2022.² The balance sheet raises questions and is not really a balance sheet *per se* because it is not balanced, *i.e.* total assets do not equal total liabilities plus total equity. Furthermore, the amount for total liabilities and equity does not equal the amount for total liabilities plus the amount for total equity. The balance sheet as of February 1, 2022, appears to be for a date not coinciding with the end of a fiscal quarter. The provisions of 16 TAC § 26.111(f)(3) require an applicant to submit a balance sheet for its most recent fiscal quarter. The unaudited balance sheet also failed to meet the requirements of 16 TAC § 26.111(f)(3), moreover, because Draupnir did not submit an affidavit from an officer of the company specifically attesting to the accuracy and veracity of the unaudited balance sheet for Draupnir. Finally, the line item for undeposited funds in the amount of \$150,000 raises some additional questions. It is unclear if Draupnir would meet the equity threshold were it not for the undeposited funds. Draupnir should file an updated balance sheet reflecting the deposit of the funds after they have been deposited.

In its application at Question No. 2(i), Draupnir answered that it has an affiliated company, Draupnir, LLC, that operates in Washington.³ Draupnir failed to submit an organizational chart detailing its position and relations in the greater corporate structure, however, which is a requirement for any applicant who has affiliated companies.

Finally, Draupnir failed to submit an affidavit attesting that Draupnir will comply with the financial requirements of 16 TAC § 26.111(f)(2), and that it is able to comply with the financial requirements of 16 TAC § 26.111(f)(2). I recommend that Draupnir file such an affidavit on the

² *Id.* at PDF page 8.

³ *Id.* at PDF page 12.

record. Draupnir should also attest to the accuracy and veracity of the financial statements for its most recent fiscal quarter in its affidavit.

Conclusion

I recommend that the application be found materially insufficient from a financial perspective because Draupnir did not provide sufficient documentation to demonstrate compliance with 16 TAC § 26.111(f). To remedy the deficiencies, Draupnir should file on the record a balance sheet (that is actually balanced) for its most recent fiscal quarter, as well as an affidavit from an officer of the company attesting to the accuracy and veracity of the balance sheet. To the extent that Draupnir's balance sheet for its most recent fiscal quarter shows a significant line item for undeposited funds, Draupnir should also submit an updated balance sheet reflecting deposit of the funds after the funds have been deposited (and an affidavit attesting the accuracy and veracity of the revised balance sheet). In order to comply with the rule, Draupnir should also submit an affidavit stating that Draupnir will comply with the financial requirements of 16 TAC § 26.111(f)(2) and that it is able to comply with those requirements. Finally, to the extent Draupnir has a parent, subsidiary, or affiliated company, it needs to submit an organizational chart as part of the application.