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BEFORE THE ARIZONA CORPORATION COMMISSION

1999 OCT 27 P 1: 22

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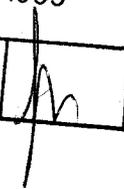
WILLIAM A. MUNDELL
COMMISSIONER

IN THE MATTER OF THE)
APPLICATION BY PREFERRED)
CARRIER SERVICES, INC.)
DBA PHONES FOR ALL)
FOR A CERTIFICATE OF)
CONVENIENCE AND)
NECESSITY TO PROVIDE)
LOCAL EXCHANGE)
SERVICES AS A)
RESELLER)

Docket No. T-03583A-98-0349

Arizona Corporation Commission
DOCKETED

OCT 27 1999

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WRITTEN EXCEPTIONS TO STAFF REPORT

On June 29, 1998, Preferred Carrier Services, Inc. dba Phones For All ("PCS" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide resold local exchange telecommunications services in the State of Arizona. On August 20, 1999, the Commission's Utilities Division Staff ("Staff") filed its Staff Report. The Staff Report recommended that the Applicant procure a performance bond or escrow account in an amount to cover sixty (60) days revenue from its customers and any prepayments or deposits collected from its customers.

Pursuant to the Commission's Procedural Order dated October 4, 1999, Preferred Carrier Services, Inc. does hereby file this written exception to the Staff's recommendation.

The requested performance bond or escrow account in an amount to cover sixty (60) days revenue is excessive and unwarranted. The bond/escrow amount of sixty (60) days revenue far exceeds customer liabilities at any given point.

The amount of sixty (60) days revenue is greater than the sum of all customer liabilities during the same time period. Not all revenue collected by PCS corresponds to a customer liability such as a prepayment or deposit. In particular, monthly recurring charges paid by customers for local service are not prepayments as they are applied directly to the customers account. Moreover, PCS' customers are never required to pay a deposit for any of the services provided.

A more appropriate measurement for the performance bond or escrow account would be an amount equal to PCS' outstanding customer liabilities. This amount could be adjusted on a quarterly basis so as to meet any fluctuations in PCS' customer base.

PCS has provided consistent local exchange telecommunications service in the following states: **Arkansas, California, Connecticut, Florida, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Missouri, Nevada, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Washington.** PCS has not been denied authority to provide local exchange

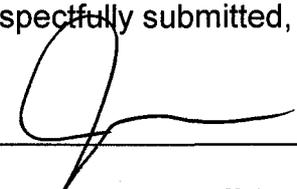
telecommunications service in any state, nor has its local exchange telecommunications service authority been revoked in any state.

CONCLUSION

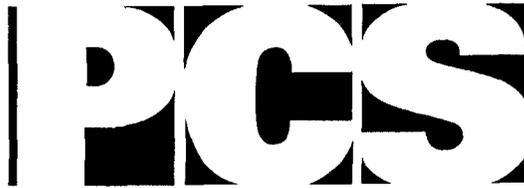
PCS respectfully requests that the Commission deny the recommendation by the Staff that it procure a performance bond or escrow account in amount to cover sixty (60) days revenue collected from its customers and any prepayments or deposits collected from its customers. The requested performance bond or escrow account is excessive and unwarranted, especially considering PCS does not require any deposits from its customers. PCS' financial resources, as well as the fact that PCS has provided IXC and local exchange services for over three (3) years, demonstrate that PCS possesses adequate resources and capabilities to cover customer deposits or other customer liabilities. In the alternative, should the Commission decide to require PCS to provide a performance bond or establish an escrow account, PCS respectfully requests that the Commission reduce the amount of the performance bond or escrow account PCS is required to procure to an amount no greater than PCS' outstanding customer liabilities.

Dated: October 26, 1999

Respectfully submitted,

By  _____

Alex Valencia, Staff Attorney
Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Addison, Texas 75001
(972) 404-5440



PREFERRED CARRIER SERVICES, INC.

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October 26, 1999

VIA FEDERAL EXPRESS NEXT DAY AIR

Arizona Corporation Commission
Docket Control Center
1200 West Washington Street
Phoenix, Arizona 85007-2996

**RE: PREFERRED CARRIER SERVICES, INC.'S WRITTEN EXCEPTIONS
TO STAFF REPORT – DOCKET NO. T-03583A-98-0349**

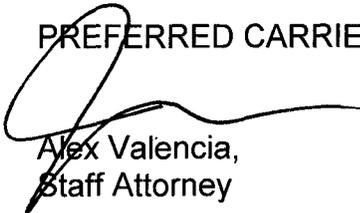
Dear Commission:

Enclosed for filing is an original and ten (10) copies of the written exceptions by Preferred Carrier Services, Inc. to the Staff Report as provided for in the Commission's Procedural Order dated October 4, 1999.

Please feel free to contact me at (972) 404-5440, if you have any questions or require further information. Thank you for your attention to this matter.

Respectfully,

PREFERRED CARRIER SERVICES, INC.



Alex Valencia,
Staff Attorney

Enclosures