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BEFORE THE ARIZONA CORPORAT

IN THE MATTER OF THE APPLICATION OF)
CURATEL, LLC, FOR APPROVAL OF A)
CERTIFICATE OF CONVENIENCE AND)
NECESSITY TO PROVIDE RESOLD LONG)
DISTANCE TELECOMMUNICATIONS)
SERVICES, RESOLD LOCAL EXCHANGE)
TELECOMMUNICATIONS SERVICES,)
FACILITIES-BASED LONG DISTANCE)
TELECOMMUNICATIONS SERVICES, AND)
FACILITIES-BASED LOCAL EXCHANGE)
TELECOMMUNICATIONS SERVICES.)

DOCKET NO.
T-20579A-08-0084

EVIDENTIARY
HEARING

At: Phoenix, Arizona
Date: February 12, 2009
Filed: **FEB 20 2009**

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1 INDEX TO EXAMINATIONS

2 WITNESS PAGE

3 DANIEL MARGOLIS

4	Direct Examination by Mr. Hallam	6
	Cross-Examination by Ms. Vohra	8
5	Examination by ALJ Martin	11
	Redirect Examination by Mr. Hallam	16

6

7 PAMELA GENUNG

8	Direct Examination by Ms. Vohra	18
	Examination by ALJ Martin	20

9

10

11

12

13

INDEX TO EXHIBITS

14 NO. DESCRIPTION IDENTIFIED ADMITTED

15	A-1	Application and responses to Staff data requests	6	8
----	-----	--	---	---

16

17	A-2	Revised tariff pages	7	8
----	-----	----------------------	---	---

17

18	S-1	Staff report	19	19
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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, in Hearing Room 1 of said
4 Commission, 1200 West Washington Street, Phoenix, Arizona,
5 commencing at 10:00 a.m., on the 12th day of February,
6 2009.

7

8 BEFORE: BELINDA A. MARTIN, Administrative Law Judge

9

10 APPEARANCES:

11

12 For the Arizona Corporation Commission Staff:

13 Ms. Ayesha Vohra
14 Staff Attorney, Legal Division
15 1200 West Washington Street
16 Phoenix, Arizona 85007

16

For the Applicant:

17

18 LEWIS AND ROCA, LLP
19 By Mr. Michael T. Hallam
20 40 North Central Avenue
21 Phoenix, Arizona 85004

20

21

KATE E. BAUMGARTH, RPR
Certified Reporter
Certificate No. 50582

22

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25

1 ALJ MARTIN: Good morning, everybody. All right.
2 Good morning. I'm Administrative Law Judge Belinda
3 Martin, and I'll be presiding over this hearing.

4 This is the hearing on -- is it Curatel or
5 Curatel?

6 MR. MARGOLIS: Curatel.

7 ALJ MARTIN: Okay. Because I wasn't sure.

8 This is Curatel, LLC's application for a
9 certificate of convenience and necessity to provide
10 facilities-based local exchange services in Arizona,
11 Docket No. T-20579A-08-0084.

12 And may I please have appearances for the record
13 on behalf of the applicant?

14 MR. HALLAM: Good morning, Your Honor.
15 Michael Hallam for the law firm of Lewis and Roca on
16 behalf of the applicant. And I'm joined by Dan Margolis.

17 ALJ MARTIN: Good morning.

18 And on behalf of Staff?

19 MS. VOHRA: Good morning, Your Honor.
20 Ayesha Vohra on behalf of Staff, and here with me is
21 Pam Genung, the Staff person assigned to this.

22 ALJ MARTIN: Okay. Good morning.

23 Okay. All right. At this time I would like to
24 open it up for public comment and if there are any members
25 of the public present that wish to make any comments at

1 this time.

2 (No response.)

3 ALJ MARTIN: Please let the record reflect there
4 are no members of the public present.

5 And at this time would the parties like to make
6 any opening statements?

7 Mr. Hallam?

8 MR. HALLAM: No opening, Judge.

9 ALJ MARTIN: Okay. Thank you.

10 Ms. Vohra?

11 MS. VOHRA: Your Honor, Staff has no opening this
12 morning.

13 ALJ MARTIN: Thank you.

14 Are we anxious to be done? All right. Very
15 well.

16 Okay. Then if we are all set, Mr. Hallam, would
17 you call your witness?

18 MR. HALLAM: Okay. We will call Mr. Margolis.

19 ALJ MARTIN: Mr. Margolis, please come up to this
20 chair right here.

21 Is it Margolis?

22 MR. MARGOLIS: Margolis.

23 ALJ MARTIN: I apologize.

24

25

(Next page, please.)

1 DANIEL MARGOLIS,
2 called as a witness herein on behalf of the Applicant,
3 having been first duly sworn, was examined and testified
4 as follows:

5

6

DIRECT EXAMINATION

7

8 BY MR. HALLAM:

9 Q Good morning.

10 A Good morning.

11 Q Would you please state your name and business
12 address for the record.

13 A Daniel Margolis. 1605 West Olympic Boulevard,
14 Suite 800, Los Angeles, California 90015.

15 Q Okay. And would you please state your position
16 with the company.

17 A I'm the director of the telecommunications
18 division.

19 Q And what are your responsibilities with regard to
20 that position?

21 A I'm in charge of the phone company, in charge of
22 operations and sales and all aspects of it.

23 Q Okay. And are you familiar with the application
24 that was filed on February 12, 2008, and the subsequent
25 responses to Staff's data request that was filed on

1 August 21, 2008, both of which have been marked as
2 Exhibit A-1?

3 A. Yes.

4 Q. Okay. And as a result of discussions with Staff,
5 did you also provide some corrective tariff pages?

6 A. Yes, I did.

7 Q. And are those pages that you provided to Staff
8 the same ones that are in front of you and have been
9 marked as Exhibit A-2?

10 A. Yes, they are.

11 Q. Okay. And could you briefly just identify for
12 the record which pages those are.

13 A. These are sheets 7, 18, 19, 66, and 80.

14 Q. And at this time do you have any additional
15 changes to make to the application and the responses that
16 are marked as Exhibit A-1?

17 A. No.

18 Q. Do you have any changes to make to the tariff
19 pages that are marked as Exhibit A-2?

20 A. No.

21 Q. And do you adopt as your direct testimony in this
22 proceeding the application, the additional responses, as
23 well as the additional tariff pages that are marked as
24 Exhibits A-1 and A-2?

25 A. Yes.

1 MR. HALLAM: Your Honor, at this point I move for
2 admission of Exhibit A-1 and Exhibit A-2.

3 ALJ MARTIN: Ms. Vohra, any objection?

4 MS. VOHRA: No objection, Your Honor.

5 ALJ MARTIN: Okay. So admitted.

6 (Exhibits Nos. A-1 and A-2 were admitted into
7 evidence.)

8 MR. HALLAM: And our witness is available for
9 cross.

10 ALJ MARTIN: Ms. Vohra.

11

12 CROSS-EXAMINATION

13

14 BY MS. VOHRA:

15 Q Good afternoon.

16 A Good morning.

17 Q Good morning. I'm sorry.

18 ALJ MARTIN: You are really pushing this.

19 MS. VOHRA: Yes.

20 Q BY MS. VOHRA: I have some questions just out of
21 curiosity about the nature of La Curacao -- is that how
22 it's pronounced?

23 A La Curacao.

24 Q -- store. Okay. There is a store located in
25 Phoenix?

1 A. Yes.

2 Q. And can you explain a little bit about the store,
3 what it offers and how that relates to the provision of
4 the telephone service?

5 A. Right. La Curacao is the brand name. It's
6 the -- the company is Adir International, LLC, which
7 operates those stores and is also Curatel's parent
8 company. The store is a general department store. It
9 sells electronics, furniture, toys, jewelry, cosmetics,
10 books, all sorts of merchandise other than clothing.

11 Q. Okay. And from those stores telephone services
12 are sold to customers as well?

13 A. Will be sold.

14 Q. Okay. Correct. And I'm sorry, in your
15 California stores where you are already.

16 A. Yes. In our California stores we are selling
17 local telephone services, long-distance and the
18 DSL/dial-up services.

19 Q. And those -- your customer service
20 representatives in those stores and in your call center,
21 they are bilingual, Spanish and English?

22 A. Correct. Some of them -- most of them are
23 bilingual. A few of them only speak Spanish.

24 Q. Okay. Now, regarding the telephone service that
25 you plan to provide if approved here in Arizona, how --

1 what is the language format for the bills? Will it be in
2 English or Spanish?

3 A. Well, we ask our customers. When we talk to
4 them, obviously in whatever conversation the sale is made,
5 we record that as their preference, which they can change
6 later on, and their bill is the language of preference.

7 Q. Now, are they explicitly asked which would be
8 their preference, English or Spanish, or is it assumed
9 from the conversation?

10 A. We don't have a policy of specifically asking
11 them. If they express a preference, we will obviously use
12 it, but otherwise it's just in whatever language the sale
13 is conducted.

14 Q. Okay. And just one more question.

15 If the Commission were to require -- or would it
16 be a problem for the bills to be provided both in English
17 and Spanish in each bill, to each customer?

18 A. Well, we would resist. We feel that one of the
19 benefits that our customers get from us is that our -- we
20 know that they are speaking Spanish, and they get
21 everything from us in Spanish. When they call the
22 automated attendant, it says press 1 for Spanish and 2 for
23 English.

24 So one of the things that we think separates us
25 from our competition is that we don't present everything

1 in two languages. We treat them like we know them.

2 MS. VOHRA: Okay. I have no further questions,
3 Your Honor.

4 ALJ MARTIN: Thank you.

5

6

EXAMINATION

7

8 BY ALJ MARTIN:

9 Q. Good morning, Mr. Margolis.

10 A. Good morning.

11 Q. How long has Curatel been in operation in
12 California?

13 A. As a separate entity or just providing phone
14 service?

15 Q. How about both?

16 A. I know that is how it works.

17 We started providing phone service, long-distance
18 services, in 2002. Curatel was separated from Adir
19 International in, I believe, 2006.

20 Q. So you're providing phone services under --

21 A. Adir.

22 Q. -- under Adir?

23 A. Right.

24 Q. Okay.

25 A. We were providing service under Adir, and we

1 split it out into a wholly-owned subsidiary.

2 Q Okay. And I understand from your application and
3 the Staff report that you are currently only operating in
4 California?

5 A Correct.

6 Q Do you have any plans to expand beyond California
7 and Arizona?

8 A Only hopes.

9 Q Okay. Nothing concrete at this time?

10 A Yes.

11 Q All right. Who are the members of Curatel? Do
12 you know off the top of your head?

13 A I don't know exactly.

14 Are you talking about the LLC?

15 Q Yes.

16 A I don't know exactly, but I would assume it is
17 Ron Azarkman and Jerry Azarkman.

18 Q And I'm sorry, Mr. Margolis. What was your
19 position again? I missed it.

20 A I'm the director of the telecommunications
21 division.

22 Q Okay. Thank you. Sorry about that. I didn't
23 write it down.

24 How many -- do you know how many employees the
25 company has in California right now, Curatel has?

1 A. Curatel has approximately 135 employees.

2 Q. Okay. And do you have a targeted customer base
3 that you anticipate serving in Arizona: residential,
4 commercial, all of the above?

5 A. Residential.

6 Q. Ms. Vohra's questions tended to ask about the
7 language.

8 Do you intend to target Hispanic customers or
9 just whoever comes --

10 A. Well, we sell within the La Curacao stores, which
11 is a store that targets Hispanic customers. And as a
12 result, yes, we do.

13 Q. Okay. The financial statements provided to
14 Staff, those are of Curatel, but they came from financial
15 statements -- they were pulled from financial statements
16 from Adir International? Is that my understanding?

17 A. The financial statements from Curatel were -- are
18 normally consolidated within the Adir financial
19 statements.

20 Q. Right.

21 A. So that is what is audited. Exactly, we pulled
22 them out.

23 Q. Okay. Okay. So the financial statements reflect
24 solely income, expenses, liabilities of Curatel, not --
25 there is nothing in there about Adir or La Curacao?

1 A. Correct.

2 Q. Okay. Does the company intend to require
3 advances or deposits or prepayments from its customers?

4 A. In some cases, yes.

5 Q. Okay.

6 A. Deposits, not prepayments.

7 Q. Deposits. Still you would be collecting and
8 holding money from customers?

9 A. Correct.

10 Q. And so you have reviewed the Staff report
11 regarding the requirements for a performance bond and you
12 agree with that?

13 A. Yes.

14 Q. Thank you.

15 In putting together the tariff, how did you
16 arrive at the rates you wish to charge? Are they what you
17 charge in California?

18 A. In some cases they are what we charge in
19 California. In some cases we pattern them after
20 competitors that already do business in Arizona.

21 Q. Okay.

22 A. Mostly I would say it's based on competitors in
23 Arizona.

24 Q. All right. I don't know if Mr. Hallam or Staff
25 has made you aware of this, but in Arizona before

1 terminating business there are certain requirements under
2 the Arizona Administrative Code that have to be complied
3 to, A.R.S. R14-2-1107, regarding the return of funds held
4 and public notice and that sort of thing.

5 Were you aware of that at all?

6 A. I'm not familiar with those.

7 Q. Okay. Is the company willing to comply with
8 those requirements before terminating -- I know it's not
9 your desire to terminate business, but should it desire at
10 some point in the future to terminate business, is it
11 willing to comply with those requirements?

12 A. Yes.

13 Q. Okay. Thank you. Okay. Excuse me a moment.

14 And I know this is in the application and in the
15 Staff report, but just to confirm, have any of the
16 applicant's officers, directors, members, or partners been
17 convicted of any criminal acts within the past ten years?

18 A. Not that I'm aware of, no.

19 Q. Okay. Let's hope not.

20 And have any of the applicant's officers,
21 directors, members, or partners been involved in any
22 criminal or civil investigation or formal or informal
23 complaint proceedings in the last ten years?

24 A. Well, that is a big question.

25 Q. Sorry.

1 A. Are we talking about regulatory investigations?

2 Q. Yes.

3 A. No.

4 Q. Okay. Thank you.

5 A. Not where we were investigated.

6 Q. Okay. Oh, when do you begin plant operations in

7 Arizona or hope to?

8 A. As soon as is practical.

9 Q. Okay. And you believe you have the technical
10 capability to provide the services that you desire to
11 provide in Arizona?

12 A. Absolutely.

13 Q. Okay. And Curatel does not intend to receive any
14 of its funding from its parent corporation; correct?

15 A. Correct.

16 ALJ MARTIN: All right. That is all the
17 questions I have.

18 Mr. Hallam, any redirect?

19 MR. HALLAM: Just one question of clarification.

20

21 REDIRECT EXAMINATION

22

23 BY MR. HALLAM:

24 Q. If I could turn your attention to page 3 of

25 Exhibit A-1.

1 A. Okay.

2 Q. I believe the judge asked a question about who
3 the member of the LLC was.

4 A. Yes.

5 Q. And if you could -- if I could direct your
6 attention to the top of the page, is it correct that Adir
7 International is the sole member of the LLC?

8 A. I can't see the top.

9 Q. Oh, I apologize.

10 A. Okay. Yes. That is true. The members of --
11 yeah, I was thinking about the members of Adir. The
12 members of Curatel is just Adir.

13 ALJ MARTIN: Okay. Thank you.

14 MR. HALLAM: That was my only question, Judge.

15 ALJ MARTIN: All right.

16 Ms. Vohra, anything else?

17 MS. VOHRA: No further questions, Your Honor.

18 ALJ MARTIN: Okay. Thank you.

19 Mr. Margolis, thank you very much. You may step
20 down.

21 Mr. Hallam, do you have any more witnesses?

22 MR. HALLAM: I do not, Judge.

23 ALJ MARTIN: All right. Thank you.

24 Ms. Vohra, would you call your witness?

25 MS. VOHRA: Your Honor, Staff would call

1 Ms. Pam Genung.

2 ALJ MARTIN: Good morning.

3

4 PAM GENUNG,

5 called as a witness herein, on behalf of Staff, having

6 been first duly sworn, was examined and testified as

7 follows:

8

9 DIRECT EXAMINATION

10

11 BY MS. VOHRA:

12 Q. Good morning, Ms. Genung, not good afternoon.

13 A. Good morning.

14 Q. Could you please state your name and business
15 address for the record.

16 A. Yes. My name is Pam Genung, and I'm employed
17 here at the Arizona Corporation Commission at 1200 West
18 Washington Street, Phoenix, Arizona.

19 Q. And can you please state your position or title.

20 A. Yes. I'm a public utilities analyst.

21 Q. And in the course of your employment as a public
22 utilities analyst here at the Commission, were you
23 assigned to evaluate the Curatel, LLC request for a CC&N?

24 A. Yes, I was.

25 Q. And is that the document before us today?

1 A. Yes, it is.

2 Q. Was the Staff report prepared by you or under
3 your direction in this matter?

4 A. Yes, it was.

5 Q. And I believe you have before you what has been
6 marked Exhibit S-1.

7 For identification purposes can you please
8 identify that item?

9 A. Yes. It's the Staff report that was prepared by
10 myself or under my direction.

11 Q. And do you have any additions or modifications at
12 this time to your Staff report?

13 A. No, I don't.

14 Q. Do you adopt your Staff report as your sworn
15 testimony here today?

16 A. Yes, I do.

17 MS. VOHRA: Your Honor, at this time Staff would
18 like to move Exhibit S-1 into evidence.

19 ALJ MARTIN: Mr. Hallam, any objection?

20 MR. HALLAM: No objection.

21 ALJ MARTIN: Thank you. So admitted.

22 (Exhibit S-1 was admitted into evidence.)

23 Q. BY MS. VOHRA: Is there anything you would like
24 to add to your Staff report or to your testimony here
25 today?

1 A. No, I have nothing more to add.

2 MS. VOHRA: Your Honor, I have no further
3 questions.

4 ALJ MARTIN: Thank you.

5 Mr. Hallam?

6 MR. HALLAM: No cross.

7 ALJ MARTIN: You folks are really just -- not
8 that there is a problem with that. All right.

9

10

EXAMINATION

11

12 BY ALJ MARTIN:

13 Q. Ms. Genung, on page 10 of your Staff report,
14 looking at Staff's recommendation --

15 A. Yes.

16 Q. -- No. 10, "tariffs indicating that it may
17 collect advances, deposits or prepayments," did Curatel --
18 has Curatel already submitted that, or is this just a
19 standard recommendation?

20 A. They have submitted a proposed tariff. And
21 generally our recommendations are that they submit a
22 tariff afterwards, after -- if the application is approved
23 in an open meeting by the Commissioners, that they still
24 have to provide a conforming tariff afterwards.

25 Q. All right. So this is just saying they need to

1 continue to do that since they are planning to collect
2 deposits?

3 A. Right, or providing service anyway. They would
4 still need to provide one.

5 Q. All right. Thank you.

6 And the company indicated to you that they intend
7 to provide the 911 or the enhanced 911 services?

8 A. Yes.

9 Q. And the company will comply with all the
10 universal service fund requirements?

11 A. Yes, I'm under the impression they are planning
12 to do that.

13 Q. Okay. In your opinion does the company have the
14 technical capabilities to provide the services that they
15 are seeking to provide?

16 A. Yes, I believe they do.

17 Q. All right. And in your opinion does the company
18 have the financial resources to provide consistent service
19 in Arizona?

20 A. Yes, I believe they have that also.

21 Q. Okay. And do you believe they are a fit and
22 proper entity to provide telecommunication services in
23 Arizona?

24 A. Yes, I believe so.

25 Q. And having reviewed their tariffs do you believe

1 that the company is planning on charging just and
2 reasonable rates in Arizona?

3 A. Yes.

4 ALJ MARTIN: Okay. Thank you.

5 Ms. Vohra, do you have any further questions?

6 MS. VOHRA: No further questions, Your Honor.

7 ALJ MARTIN: Okay.

8 Mr. Hallam, anything?

9 MR. HALLAM: No, Your Honor.

10 ALJ MARTIN: Very well.

11 You may step down.

12 THE WITNESS: Thank you.

13 ALJ MARTIN: Ms. Vohra, do you have any other
14 witnesses you wish to call?

15 MS. VOHRA: No other witnesses, Your Honor.

16 ALJ MARTIN: All right, then. At this time I
17 would like to ask the parties if they would like to make
18 any closing statements.

19 Mr. Hallam?

20 MR. HALLAM: Your Honor, just very briefly.

21 We thank you for your time today, and I know, as
22 the company indicated today, they are anxious to start
23 providing service and very much look forward to providing
24 service in Arizona.

25 ALJ MARTIN: Thank you.

1 Ms. Vohra?

2 MS. VOHRA: Thank you, Your Honor, also just very
3 briefly.

4 For the reasons set forth in the Staff report
5 submitted by Ms. Genung, Staff would recommend approval of
6 this application.

7 ALJ MARTIN: Very well. Thank you.

8 All right. I have admitted into evidence -- we
9 have the applicant Exhibit A-1, which was the application
10 and the responses, and Exhibit A-2, which are the revised
11 tariff pages; is that correct?

12 MR. HALLAM: That is correct, Judge.

13 ALJ MARTIN: All right.

14 And on behalf of Staff I have Exhibit S-1, which
15 is the Staff report; correct?

16 MS. VOHRA: Correct, Your Honor.

17 ALJ MARTIN: Okay. Very well.

18 Then if there are any other issues -- Mr. Hallam
19 or Ms. Vohra, anything else?

20 MS. VOHRA: No, Your Honor.

21 MR. HALLAM: No, Your Honor.

22 ALJ MARTIN: Thank you.

23 Then I will take this matter under advisement
24 pending admission of a recommended opinion and order to
25 the Commissioners for their consideration.

1 Thank you very much for coming today. And it is
2 a pleasure to see everybody. We are adjourned and off the
3 record.

4 (The hearing concluded at 10:25 a.m.)

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1 STATE OF ARIZONA)
) ss.
 2 COUNTY OF MARICOPA)

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I, KATE E. BAUMGARTH, Certified Reporter

No. 50582 for the State of Arizona, do hereby certify that

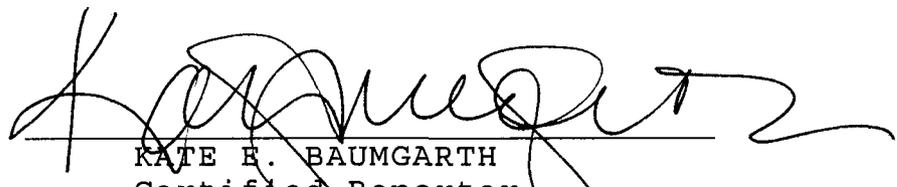
the foregoing printed pages constitute a full, true and

accurate transcript of the proceedings had in the

foregoing matter, all done to the best of my skill and

ability.

WITNESS my hand this 16th day of February, 2009.



KATE E. BAUMGARTH
 Certified Reporter
 Certificate No. 50582