

ORIGINAL

**MILLER
ISAR** INC.
TRUSTED ADVISORS



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GIG HARBOR, WA 98335
TELEPHONE: 253.851.6700
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ANDREW O. ISAR

Arizona Corporation Commission
DOCKETED

MAY 29 2012

DOCKETED BY: *IM*

Via Overnight Delivery

May 24, 2012

Docket Control Center
Arizona Corporation Commission
1200 W. Washington Street, Room 108
Phoenix, Arizona 85007-2996

Re: Staff's First Set of Data Requests to Preferred Long Distance, Inc., Docket No. T-04308A-12-0118

Dear Sir/Madam:

Pursuant to Staff's May 21, 2012 First Set of Data Requests in the above-referenced matter, Preferred Long Distance, Inc. ("Preferred" or the "Company"), hereby provides the attached responses. An original and thirteen (13) copies of this letter and attachments are enclosed.

Please acknowledge receipt of this filing by file-stamping and returning the additional copy of this Application and transmittal letter in the self-addressed, postage-paid envelope provided for this purpose. Questions may be directed to the undersigned.

Sincerely,

MILLER ISAR, INC.

Andrew O. Isar

Attachments

Regulatory Consultants to
Preferred Long Distance, Inc.

cc: Ms. Pam Genung via electronic delivery (PGenung@azcc.gov)

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AZCC COMMISSION
DOCKET CONTROL

STAFF'S FIRST SET OF DATA REQUESTS TO
PREFERRED LONG DISTANCE, INC.
DOCKET NO. T-04308A-12-0118

Each of the following responses was prepared by:

Andrew O. Isar,
Miller Isar, Inc.
4423 Point Fosdick Drive, NW
Gig Harbor, Washington 98335
Telephone: 253.851.6700

Regulatory Consultants to
Preferred Long Distance, Inc.

PJG 1.1 Please specify the number of years of telecommunications experience of Director/Owner Claudia Nussbaum identified in Attachment A of Preferred Long Distance's Application.

Response: Ms. Nussbaum has 17 years of telecommunications experience. Ms. Nussbaum is co-founder of the Company and has been involved in the Company's operations since its inception in May 1995.

PJD. 1.2. In reference to Preferred Long Distance's proposed Arizona C.C. Tariff No. 1, on Original Page No. 34, at 2.5.3 Disputed Bills, please modify and/or add the following contact information and file the proposed replacement tariff page:

Phoenix Office: 602-452-4251 or (800)222-7000
Tucson Office: 520-628-6550 or (800)535-0148

Response: The requested amendments have been incorporated into the Company's Arizona C.C. Tariff No. 1, on Original Page No. 34, at 2.5.3 Disputed Bills. A copy of the amended page is attached.

PJG 1.3 In reference to Preferred Long Distance's proposed Arizona C.C. Tariff No. 1, on Original Page No. 37, at 2.5.6 Establishment of Credit, at D.(3), please explain how item (g) has a bearing on a person's creditworthiness.

Response: 2.5.6.D.(3)(g) contained an inadvertent error. This section has been amended to read, "age of **18** years or more." A copy of the amended page is attached.

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PJG 1.4 In reference to Preferred Long Distance's proposed Arizona C.C. Tariff No. 1, on Original Page No. 79, at 4.1.3, a minimum and maximum late fee is listed. On Original Page No. 33, at 2.5.2 (F) Preferred Long Distance already has the standard late fee of 1.5% listed, which is the maximum allowed by the Commission. The late fee on Original Page No. 79 appears to be a duplication of the late fee on Original Page No. 33. Please file a replacement tariff page removing the late fee listed on Original Page No. 79 as a Company is only allowed to charge one late fee per month, if applicable.

Response: The late fee range appearing at Original Page 79 has been removed. A copy of the amended page is attached.

PJG 1.5 In reference to Preferred Long Distance's proposed Arizona C.C. Tariff No. 1, on Original Page No. 82, at 4.2 Service Features, the minimum monthly fee for Security Screen appears to have digits missing. Please file a replacement tariff page correcting the minimum charge.

Response: The Security Screen minimum rate has been added. A copy of the amended page is attached.

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PJG 1.6

Please indicate why Preferred Long Distance believes that its range of rates is just and reasonable using a competitive market analysis. The analysis should contain publicly available examples of tariff rates and charges charged by the incumbent and other carriers for similar services. Please provide actual tariff pages and use the attached matrix format to show Preferred Long Distance's actual or proposed tariff rates and charges. Then show each competitor's tariff rates and charges for comparable telecommunications services. At a minimum, show tariff information of CenturyLink/Qwest and two other competitors in Arizona. The material you provide should enable Staff to determine whether the tariff rates and charges of the Applicant are just and reasonable compared to other competitors offering the same or similar telecommunications services in Arizona. (See Attachments A & B – By Competitor) (For the Applicant's ease, an excel file can be provided by contacting Pamela Genung at pgenung@azcc.gov).

Response:

Preferred's rates reflect the Company's underlying costs and a reasonable return, while enabling the Company to remain competitive and attract and retain subscribers in Arizona's highly competitive local exchange and interexchange markets.

The Company's proposed Arizona rates are designed to be competitive with those of other competitive local exchange and interexchange carriers in Arizona, as well as with those of incumbent local exchange carriers.

As a new market entrant, Preferred could not successfully attract and retain subscribers unless its rates were competitive with larger, more established competitors. Yet Preferred does not have market power to control pricing and could not sustain unreasonably low, anti-competitive service rates through service subsidies in Arizona or elsewhere. Preferred's Arizona rates are consistent with those charged by other competitive local exchange and interexchange carriers operating under Commission-approved tariffs. Preferred's proposed rates should be considered fair, just, and reasonable, accordingly.

A comparative rate analysis is attached.

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PJD 1.7 Please specify the rates that Preferred Long Distance will charge or charges for similar services in the other states/jurisdictions in which Preferred Long Distance has been approved to provide service. If there is a difference between the rates that Preferred Long Distance will charge in Arizona and the rates that it will charge in the other states/jurisdictions for similar service, please identify and indicate the amount of the difference and explain why you are charging different rates in Arizona. (See Attachments C & D – By State) (For the Applicant's ease, an excel file can be provided by contacting Pamela Genung at pgenung@azcc.gov).

Response: The rates listed in Preferred Long Distance, Inc.'s the Effective Rate Section of the Company's proposed Arizona C.C. Tariff No. 1, are the same as those in other states where the Company operates.

PJD 1.8 In reference to Preferred Long Distance's response to item (A-11) of its Application, regarding past or present formal or informal complaint proceedings, please explain why the following items were not disclosed:

- a. Federal Communications Commission, DA 10-1637, Released August 31, 2010, *In the Matter of Preferred Long Distance, Inc. Complaint Regarding Unauthorized Change of Subscriber's Telecommunications Carrier*; and
- b. Federal Communications Commission, DA 09-1689, Released July 31, 2009, *In the Matter of Preferred Long Distance, Inc. Complaint Regarding Unauthorized Change of Subscriber's Telecommunications Carrier*.

Response: Both incidents entailed isolated inquiries regarding the Company's alleged failure to have confirmed an account transfer, consistent with similar inquiries received periodically by all telecommunications services providers. These two inquiries were immediately resolved and were not deemed dispositive of any company failure to comply with federal (or state) regulation. Preferred did not interpret section A-11 of the Application as requiring an exhaustive listing of every possible informal inquiry, but rather a listing of substantive inquiries and or complaints that reflected on the Company's regulatory compliance.

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PJD 1.9

Please be aware that Staff does not recommend local exchange CC&N approval for companies who will service only affiliates or non-affiliates, such as Voice over the Internet Protocol ("VoIP") providers. Does Preferred Long Distance intend to provide local exchange service directly to end-users? If yes, is Preferred Long Distance willing to accept the following condition for Commission approval – "That Preferred Long Distance's Application be approved based upon its representation to the Commission that Preferred Long Distance will be providing local exchange service directly to end-users in Arizona. Should Preferred Long Distance not provide service directly to end-user customers, it shall notify the Commission and file for cancellation of its CC&N."

Response: Preferred Long Distance intends to provide local exchange service directly to end-users. Preferred Long Distance accepts the following condition for Commission approval – "That Preferred Long Distance's Application be approved based upon its representation to the Commission that Preferred Long Distance will be providing local exchange service directly to end-users in Arizona. Should Preferred Long Distance not provide service directly to end-user customers, it shall notify the Commission and file for cancellation of its CC&N."

ATTACHMENT B
BY COMPETITOR

Business Maximum Rate Comparison of Telecommunications Services provided by Competitor's in Arizona	Applicant's Arizona Tariff Arizona C.C. Tariff No. 1			Competitor #1 Arizona Tariff Cox		
	Charges & Rates (\$)	Section Number	Page Number	Charges & Rates (\$)	Section Number	Page Number
Product/Services						
Basic Local Service	25.95	4.1.1	79	\$30.00	3.1.2.(d.1)	62.3
Service Connect Fee	49.99	4.1.1	79			
Dispatch Call & Trouble isolated on cust. equip.	199	4.1.1	79	\$50.00	3.1.2.a	60
Feature ChangeOrder	7.95	4.1.1	79	*		
Toll Restriction Fee Order	0	4.2	81	\$10.00	3.1.2.(a)	60
Transfer of Service (move order)	49.99	4.1.1	79	\$25.00	7.1.2	106
Restoration of Service	49.99	4.1.3	79	\$25.00	3.1.2.a	60
Directory Assistance	1.35	4.4	83	\$2.00	3.2.1	93
Miscellaneous Services & Rates						
Returned Check Charge (NSF)	25	4.1.1.	79			
Listings						
Directory Listing Service - Primary Listing	0.99	4.4	83	\$0.00	3.4.6	99
Directory Listing Service - Non-Published	0.99	4.4	83	\$5.00	3.4.6	99
Primary Rate Interface (DS0) Service						
Month-to-month						
12 Months						
24 Months						
36 Months						
Long Distance						
Direct Dialed Station-to-Station (include all relevant billing elements used to make the comparison)	.079 per minute	6.1	85	\$0.15	3.1.6	92.0.1

Business Maximum Rate Comparison of Telecommunications Services provided by Competitor's in Arizona	Competitor #2 Arizona Tariff Qwest			Competitor #3 Arizona Tariff DPI-Teleconnect		
	Charges & Rates (\$)	Section Number	Page Number	Charges & Rates (\$)	Section Number	Page Number
Product/Services						
Basic Local Service	\$85.00	5.2.4.A.2	2	\$107.00	3.1.1.c.1.b	30
Service Connect Fee	\$200.00	5.2.5.A[1]3.c	4	*		
Dispatch Call & Trouble isolated on cust. equip.	\$190.00	13.2.D.4	14	\$80.00	3.1.1.c.1.a	30
Feature ChangeOrder	\$24.00	3.1.9.D.3	2	*		
Toll Restriction Fee Order	\$6.00	110.4.2.B	2	\$25.00	3.1.1.c.2.a	30
Transfer of Service (move order)	*			*		
Restoration of Service	*			\$80.00	3.1.1.c.1.a	30
Directory Assistance	\$1.15	6.2.4B.3.b	23	\$4.00	3.1.1.c.1.a	30
Miscellaneous Services & Rates						
Returned Check Charge (NSF)				\$2.25	3.1.1.c.1.b	31
Listings						
Directory Listing Service - Primary Listing				\$0.00	3.2.6	31
Directory Listing Service - Non-Published				\$10.00	3.1.1.c.2.b	31
Primary Rate Interface (DS0) Service						
Month-to-month						
12 Months						
24 Months						
36 Months						
Long Distance						
Direct Dialed Station-to-Station (include all relevant billing elements used to make the comparison)						

SECTION 2 – REGULATIONS, Continued

2.5. PAYMENT ARRANGEMENTS, Continued

2.5.3. Disputed Bills

Customer inquiries or complaints regarding Service or accounting may be made in writing or by telephone to the Company at:

Preferred Long Distance, Inc.
16830 Ventura Blvd., Ste 350
Encino, CA 91436

Telephone: (888) 235-2026

Any objection to billed charges should be reported promptly to the Company. If after investigation and review by the Company, a disagreement remains as to the disputed amount, the Customer may file an appropriate complaint with:

Arizona Corporation Commission
Consumer Services Section
1200 West Washington Street
Phoenix, Arizona 85007

Phoenix Office: 602-452-4251 or (800)222-7000

Tucson Office: 520-628-6550 or (800)535-0148

Toll Free: 800.222.7000

Web Site: <http://www.azcc.gov/divisions/utilities/consumerservices.asp>

2.5.4. Advance Payments

Should the Company elect to collect Advance Payments, and meets Commission requirements for the collection of a bond, the Company may require the Customer to make an Advance Payment before Services and facilities are furnished to safeguard its interests. The amount of the Advance Payment will be determined on a case-by-case basis and will conform to the applicable Commission regulations.

SECTION 2 – REGULATIONS, Continued**2.5. PAYMENT ARRANGEMENTS, Continued****2.5.6. Establishment of Credit**

- A. In order to assure the proper payment of all Customer-incurred charges for service, the Company will require applicants for service and Customers to establish and maintain acceptable credit.
- B. The establishment or re-establishment of credit by an applicant or Customer will not relieve the applicant or Customer from compliance with other responsibilities, including the payment advance payments or bills, and in no way modify the provisions concerning disconnection and termination of service for failure to pay Customer-incurred charges for service rendered by the Company.
- C. The Company may refuse to furnish service to an applicant that has not paid charges for service of the same classification (residential or business) previously furnished by any telephone company until, at the option of the Company, the applicant pays any past due bill and/or makes deposit arrangements suitable to the Company.
- D. Applicants for residential service may establish credit by one of the following methods:
 - 1. If the applicant has verifiable previous service with any telephone company for at least twelve (12) months and the payment record on the account was satisfactory, the applicant may obtain service without a deposit; or
 - 2. If the applicant had not paid for prior service, or the prior service had been disconnected for nonpayment within the past twelve (12) months, the Company may require a deposit prior to the connection of telephone service; or
 - 3. If the applicant does not have verifiable service, or if the applicant had previous service for less than twelve (12) months, the applicant will be asked to provide further credit information. The applicant will be requested to provide proof of:
 - (a) home ownership;
 - (b) employment of two (2) years or more with the current employer;
 - (c) major oil company credit card;
 - (d) major credit company;
 - (e) checking account;
 - (f) savings account;
 - (g) age of 18 years or more.

Issued: March 28, 2012

Effective:

Issued By:

Jerome Nussbaum, President
16830 Ventura Blvd., Suite 350
Encino, CA 91436

SECTION 4 – MINIMUM AND MAXIMUM RATES AND CHARGES**4.1. LOCAL EXCHANGE SERVICE**

		Non-recurring		Monthly	
		Min.	Max.	Min.	Max.
4.1.1.	One Time Fees				
	Installation Fee for first new line	\$25.00	\$100.00		
	Installation Fee per each new feature	\$2.50	\$15.00		
	Maintenance and Repair ¹ , Per Instance	\$75.00	\$300.00		
4.1.2.	Local Line				
	Monthly Recurring Fee,			\$10.00	\$50.00
4.1.3.	Payment (Accounting Fees)				
	Check by Phone	\$0.50	\$5.00		
	Return Check Fee	\$7.50	\$35.00		
	Temporary Disconnections & Reactivations (per line for local Customers only)	\$20.00	\$80.00		
4.1.4.	Primary Interexchange Carrier Change Charge				
	Per Instance	\$4.00	\$20.00		

¹ Customers that do not subscribe to the WMP.

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16830 Ventura Blvd., Suite 350
Encino, CA 91436

SECTION 4 – MINIMUM AND MAXIMUM RATES AND CHARGES, Continued**4.2. SERVICE FEATURES, Continued**

	Per Use		Monthly	
	Min.	Max.	Min.	Max.
Scheduled Forwarding			\$3.00	\$15.00
Scheduled Greetings- Business only			\$3.00	\$15.00
Security Screen SM			\$1.00	\$10.00
Selective Call Forwarding			\$1.75	\$7.00
Selective Call Waiting			\$3.00	\$13.00
Series Hunting			\$1.75	\$7.00
Speed Calling			\$1.75	\$7.00
Talking Call Waiting			\$1.75	\$7.00
Three Way Calling			\$1.75	\$7.00
Three Way Calling Blocking			\$0.00	\$25.00
Transfer Mailbox- Residence and Business			\$0.00	\$25.00
Voice Mail Mailbox- Business only			\$9.00	\$40.00
Voice Messaging Service Residence only			\$3.00	\$15.00

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Encino, CA 91436