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**BEFORE THE ARIZONA CORPORATION**

COMMISSIONERS

BOB STUMP - Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

Arizona Corporation Commission

DOCKETED

OCT 25 2013

DOCKETED BY 

IN THE MATTER OF THE APPLICATION OF  
LEAP FROG TELECOM, L.L.C. DBA VOCE  
TELECOM FOR A CERTIFICATE OF  
CONVENIENCE AND NECESSITY TO PROVIDE  
COMPETITIVE RESOLD LONG DISTANCE AND  
RESOLD LOCAL EXCHANGE  
TELECOMMUNICATIONS SERVICES IN  
ARIZONA.

DOCKET NO. T-20584A-10-0319

DECISION NO. 74151

ORDER

Open Meeting  
October 16 and 17, 2013  
Phoenix, Arizona

**BY THE COMMISSION:**

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

**FINDINGS OF FACT**

**Procedural History**

1. On July 30, 2010, Leap Frog Telecom, L.L.C. d/b/a Voce Telecom ("Leap Frog" or "Company") filed an application for a Certificate of Convenience and Necessity ("CC&N") to provide resold long distance and resold local exchange telecommunications services in Arizona and requested that its proposed services be classified as competitive ("Application").
2. On June 23, 2011, Leap Frog filed an Affidavit of Publication stating that notice of the Application had been published in *The Arizona Business Gazette* on June 15, 2011.
3. On November 30, 2012, the Commission's Utilities Division ("Staff") filed its Staff Report recommending denial of the Application, or if the Commission approves the Application, Staff recommended that the Company should be subject to certain terms and conditions.
4. A Procedural Order issued February 11, 2013, directed Leap Frog to file a response to the Staff Report and for Staff to docket a reply, and it set a procedural conference for April 4, 2013.

1           5.       On the same day the Procedural Order was issued, Leap Frog docketed a Response to  
2 Staff Report, objecting to Staff's recommendation that the Commission deny the Company's  
3 Application. Leap Frog proposed additional conditions to address Staff's concerns.

4           6.       Staff filed a Memorandum in reply to Leap Frog's Response on March 25, 2013,  
5 stating that the Company's proposed additional conditions were acceptable. Staff recommended  
6 approval of the Application subject to Staff's terms and conditions outlined in the Staff Report and  
7 the Company's proposed additional conditions.

8           7.       A procedural conference was held on April 4, 2013, at which the parties discussed  
9 certain issues and concerns regarding the Application. At the conclusion of the procedural  
10 conference, the parties were advised that a Procedural Order would be issued directing Leap Frog to  
11 file additional documentation and updated information.

12          8.       A Procedural Order was docketed on June 6, 2013, outlining issues to be addressed,  
13 the additional documents to be provided, and the updated information to be filed by the Company.

14          9.       Leap Frog docketed this information on June 28, 2013 ("Supplemental Filing").

15          10.      On July 19, 2013, Staff filed a Memorandum stating that Staff had reviewed the  
16 Supplemental Filing submitted by the Company and confirmed Staff's recommendation stated in  
17 Staff's March 25, 2013, Memorandum.

18 **Fitness and Properness to Obtain a CC&N**

19          11.      Leap Frog Telecom, L.L.C. organized on August 28, 2003, as an Arizona limited  
20 liability company and is in good standing with the Commission's Corporations Division. The  
21 Company's officers are Dimitris Pantartzis and Peter Stazzone. Leap Frog is wholly-owned by Tri  
22 Star Fund L.L.P., an Arizona limited liability partnership. Leap Frog is managed by Joseph Rao, but  
23 he is not currently a direct employee of the Company, but rather is an employee of Etna Staffing  
24 Solutions, L.L.C. ("ESS"). ESS is also wholly-owned by Tri Star Fund and is managed by Mr.  
25 Stazzone. One of Tri Star Fund's partners is Joeson, L.L.C., of which Mr. Rao is a member. An  
26 organizational chart provided by the Company is attached to this Decision as Exhibit A.

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Staff's Denial Recommendation

12. In its Application, the Company indicated that neither Leap Frog, nor any of its officers, directors, partners or managers have been or currently are involved in any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency. Also, according to the Application, neither Leap Frog nor any of its officers, directors, partners or managers has been or are currently involved in any civil or criminal investigations, had any judgments entered or levied or been convicted of any criminal acts within the last ten years.

13. In its Staff Report, Staff noted that prior to the formation of Leap Frog, Mr. Rao, Mr. Stazzone and Mr. Pantzartzis owned and/or managed other telecommunications entities that had provided service in Arizona.

14. Dancris Telecom, L.L.C. ("Dancris"): Dancris was formed in July 1995. The Commission authorized Dancris to provide resold interexchange telecommunications service in Arizona pursuant to Decision No. 63540 (March 30, 2001) and to provide alternative operator services in Arizona pursuant to Decision No. 65982 (June 17, 2003).

15. Andiamo Telecom, L.L.C. ("Andiamo"): Andiamo was formed in November 2003. The Commission authorized Andiamo to provide alternative operator services in Arizona pursuant to Decision No. 67749 (April 11, 2005), and to provide resold long distance and resold local exchange telecommunications services in Arizona pursuant to Decision No. 67948 (June 21, 2005).

16. Staff outlined the management teams for Dancris, Andiamo and Leap Frog as follows:

**DANCRIS**

Joseph Rao	Manager, President, Owner	12/1996 – 12/2004
Peter Stazzone	CFO	7/2000 – 2/2004
Dimitris Pantzartzis	COO	2/1997 – 2/1999

**ANDIAMO**

Joseph Rao	Manager, President, CEO	1/2004 – 2/2010
Peter Stazzone	CFO	2/2004 – 6/2008
Dimitris Pantzartzis	COO	9/2006 – 6/2008

**LEAP FROG**

Joseph Rao	Manager	8/2003 – present
Peter Stazzone	CFO	7/2008 – present
Dimitris Pantzartzis	COO	7/2008 – present

1           17.     During Staff's investigation, Staff learned that in February 2004, while under the  
2 management of Mr. Rao and Mr. Stazzone, Andiamo purchased all of Dancris' tangible and  
3 intangible assets, including its long distance customer base, without Commission approval. Dancris'  
4 statutory agent filed an application to cancel Dancris' CC&N in May 2007, which the Commission  
5 approved in Decision No. 73158 (May 18, 2012).

6           18.     Andiamo began providing resold long distance service in February 2004, but it did not  
7 apply for a CC&N until July 2004. The Commission granted Andiamo's CC&N for resold long  
8 distance and local exchange telecommunications services in June 2005 subject to the condition that  
9 Andiamo obtain a \$25,000 performance bond, which was to remain in effect until further order of the  
10 Commission. Staff found that Andiamo canceled its performance bond effective December 14, 2008,  
11 claiming that it did not have any customers. Staff observed that the performance bond requirement  
12 was not conditioned upon Andiamo having any customers; it was a condition of the certificate that  
13 had to be met before Andiamo could provide service to customers in Arizona. On August 1, 2010,  
14 Andiamo transferred 895 long distance customers to Leap Frog. As such, Andiamo was serving  
15 Arizona customers without a performance bond sometime between December 14, 2008, and July 31,  
16 2010, in violation of Decision No. 67948. After Leap Frog filed the instant Application in July 2010,  
17 Staff requested that Andiamo file an application to cancel its CC&N. Andiamo filed its application  
18 on June 16, 2011, and the Commission approved the cancellation in Decision No. 72710 (December  
19 9, 2011).

20           19.     Further, Staff noted that contrary to its assertions in the Application, while under the  
21 management of Mr. Stazzone, Mr. Pantzartzis and Mr. Rao, Dancris and Andiamo had their authority  
22 to provide telecommunications services revoked in a number of jurisdictions for failure to provide  
23 annual reports and/or pay regulatory fees.<sup>1</sup> Additionally, Staff found that the Public Utilities  
24 Commission of Ohio and Dancris entered into a settlement agreement in April 2005, in which  
25 Dancris agreed to a finding it had overcharged customers.

26           20.     Finally, according to Staff, an informal complaint was filed with the Federal  
27

28 <sup>1</sup> Staff attached to the Staff Report lists of the jurisdictions that revoked Dancris' and Andiamo's authority to provide services.

1 Communications Commission ("FCC") regarding the actual amount of dial-around compensation to  
2 be paid by Andiamo, which resulted in a settlement agreement between the complainant and  
3 Andiamo. Andiamo failed to comply with the payment schedule outlined in the settlement and the  
4 complainant filed a lawsuit in the United States District Court in Virginia. The District Court  
5 ultimately entered a default judgment against Andiamo in April 2010.

6 21. According to Leap Frog's Supplemental Filing, it is authorized to provide  
7 telecommunications services in Washington, Oregon and Colorado. The Company stated two  
8 consumer billing complaints were filed against it with the Washington Utilities and Transportation  
9 Commission and both complaints have been resolved. Two customer complaints were filed against  
10 Leap Frog with the Oregon Public Utilities Commission, one billing complaint and one service  
11 interruption complaint, and both were resolved. Staff and the Company stated one service  
12 interruption/billing complaint had been filed with the Commission in 2011 and has been resolved.

13 22. Because Leap Frog's management team is the same as Andiamo's and Dancris' was at  
14 the time those entities acted contrary to Commission rules and Decisions, Staff recommended denial  
15 of the Application. In the event the Commission approved the Application, Staff recommended that  
16 the CC&N be subject to a number of terms and conditions set forth in the Staff Report.

17 Leap Frog's Response

18 23. Leap Frog addressed Staff's concerns and findings in its responses to Staff's Data  
19 Requests, its Response to Staff Report and in its Supplemental Filing.

20 24. The Company stated Dancris' and Andiamo's failure to apply to the Commission for  
21 transfer of Dancris' assets and customers was due to an oversight and financial difficulties.  
22 Regarding the canceled performance bond, the Company explained in its Supplemental Information  
23 that in 2008 Andiamo entered into a management services agreement with ESS to manage Andiamo's  
24 long distance business while it attempted to sell its customer base. Andiamo claimed it hired an  
25 attorney to wind up Andiamo's business, but it did not instruct the attorney to handle any regulatory  
26 matters and the performance bond was canceled when it came up for renewal.<sup>2</sup>

27  
28 <sup>2</sup> Supplemental Filing, pages 1-2.

1           25. Mr. Rao and Mr. Stazzone acknowledged it was their responsibility to ensure  
2 compliance with Commission rules and regulations. The Company noted these issues and oversights  
3 are not acceptable and stated it is committed to ensuring compliance with all regulatory requirements.  
4 Leap Frog claimed that, while the two companies' regulatory compliance issues were unfortunate,  
5 they had excellent customer service and satisfaction records.<sup>3</sup>

6           26. Regarding Leap Frog's provision of service prior to receiving its CC&N, the Company  
7 stated in its Responses to Staff's Third Set of Data Requests that it was Leap Frog's understanding  
8 the Commission permitted telecommunications companies to provide resold long distance  
9 telecommunications services in Arizona if they had a pending CC&N application.<sup>4</sup>

10           27. During the April 4, 2013, procedural conference, Staff confirmed that it had once been  
11 Staff's policy to allow companies seeking authorization to provide resold long distance  
12 telecommunications to begin offering service after they filed an application because of the delays in  
13 processing these applications. This policy was in effect at the time Leap Frog filed its Application.  
14 Staff emphasized that the policy did not apply to resold local exchange telecommunication services.<sup>5</sup>

15           28. In its Supplemental Filing, Leap Frog stated that it presently has 1,519 Arizona resold  
16 long distance customers—895 business customers and 624 residential customers. In the Staff Report,  
17 Staff recommended that if Leap Frog was not providing resold local exchange telecommunications  
18 service directly to Arizona end-users within three years of this Decision, the Company should file for  
19 cancellation of its resold local exchange telecommunications service CC&N no later than 39 months  
20 from the Decision's effective date. Leap Frog did not object to this recommendation.

21           29. In order to address Staff's concerns about Leap Frog's management team's past issues,  
22 the Company proposed four conditions to supplement the terms and conditions proposed by Staff :

- 23           a) In addition to the \$35,000 performance bond or irrevocable sight draft letter of credit  
24           ("ISDLOC") recommended by Staff (discussed below), Leap Frog proposed an  
25           additional \$65,000 performance bond or ISDLOC, for a total bond amount of

26 <sup>3</sup> Response to Staff Data Third Set of Data Requests STF 3.5(d); Response to Staff Report, page 2.

27 <sup>4</sup> Responses to Staff's Second and Third Set of Data Requests STF 3.1.

28 <sup>5</sup> Transcript of April 4, 2013, Procedural Conference, pages 10-11. At the procedural conference, Staff related that as of the beginning of 2013, Staff no longer permits telecommunications companies to begin offering resold long distance telecommunications services in Arizona if they have a pending CC&N application; resold long distance telecommunications providers must receive Commission authorization before they may begin providing service in Arizona. Staff indicated this change was a direct result of the circumstances present in this matter.

1 \$100,000. The Company proposed that the \$65,000 performance bond or ISDLOC  
2 should remain in effect for a minimum of three years after the financial instrument is  
3 filed, or until further order of the Commission, whichever is longer.

- 4 b) Leap Frog proposed to designate an Arizona Corporation Commission Compliance  
5 Officer (“ACC Compliance Officer”) responsible for ensuring compliance with all  
6 Commission rules, regulations and orders. The appointed person will hold a vice  
7 president-level position or higher and the duties will include filing all required reports  
8 and meeting with Commission Staff and/or Commissioners as requested. Leap Frog  
9 plans to file a notice within 30 days of the Decision naming the ACC Compliance  
10 Officer and will file a notice whenever a new ACC Compliance Officer is appointed.
- 11 c) The Company also proposed that for a minimum period of three years, or until further  
12 order of the Commission, whichever is longer, Leap Frog will file quarterly reports  
13 (“Quarterly Reports”) attesting under penalty of perjury that it is in compliance with  
14 all Commission rules, regulations and orders, or listing any known violations.
- 15 d) Leap Frog plans to implement a formal compliance program including the following  
16 elements: 1) Training for the ACC Compliance Officer on Commission requirements;  
17 2) procedures to report any compliance concerns to the ACC Compliance Officer; and  
18 3) a tickler system for noting the due date of all reports and other regulatory  
19 requirements of the Commission. The ACC Compliance Officer will docket a  
20 statement within 30 days of the Decision verifying that Leap Frog has instituted the  
21 formal compliance program.

22 30. In its Supplemental Filing, Leap Frog indicated that it plans to appoint Mr. Stazzone  
23 as its ACC Compliance Officer. Mr. Stazzone is a certified public accountant and is responsible for  
24 the Company’s financial planning and accounting and for its regulatory compliance reporting.

25 31. During the April 4, 2013, procedural conference, Leap Frog agreed to note in its  
26 Quarterly Reports any compliance or complaint issues experienced in other jurisdictions.<sup>6</sup>

27 Staff’s Revised Recommendation

28 32. Based Staff’s review of Leap Frog’s Application, the additional conditions proposed  
in the Company’s Response to the Staff Report, and the Supplemental Filing, Staff recommended the  
Application’s approval subject to the terms and conditions contained in the Staff Report and the  
additional conditions proposed by the Company.

Technical Capabilities

33. Leap Frog will offer resold telecommunications services obtained from CenturyLink  
d/b/a Qwest Communications to Arizona customers.

...

<sup>6</sup> Transcript of April 4, 2013, Procedural Conference, pages 22-23.

1           34.     According to the information provided by the Company, Mr. Pantzartzis, Mr. Stazzone  
2 and Mr. Rao have a combined experience of approximately 50 years in the telecommunications  
3 industry.

4           35.     In the Supplemental Filing, Leap Frog noted it currently has authority to provide,  
5 and/or is providing, telecommunications services similar to those it intends to offer, or is offering, in  
6 Arizona in Washington, Oregon and Colorado.

7           36.     At present, Leap Frog has 14 employees and a call center located in Arizona. The  
8 Company stated that customer service is available at all times.

9           37.     Staff concluded that Leap Frog has sufficient technical capabilities to provide resold  
10 long distance and resold local exchange telecommunications services in Arizona.

#### 11 **Financial Resources**

12           38.     The Company stated it relies on Tri Star Fund's financial resources. Leap Frog  
13 provided Staff with unaudited financial statements for the periods ending December 31, 2010, and  
14 December 31, 2011. The financial statement for the year ending 2010 lists total assets of \$1,721,252,  
15 total equity of \$262,411, and net income of \$340,802. The financial statement for the year ending  
16 2011 lists total assets of \$2,511,713, total equity of \$1,164,461, and net income of \$859,641. In its  
17 Supplemental Filing, the Company provided a financial statement for the period ending December  
18 31, 2012, listing total assets of \$3,552,301, total equity of \$2,263,338, and net income of \$1,156,472.

19           39.     In its Application, Leap Frog had projected total intrastate revenues generated from  
20 provision of telecommunications services to Arizona customers for the first 12 months of operations  
21 to be \$8,023,000 and total intrastate operating expenses of \$6,722,000. Leap Frog also stated that the  
22 current and projected net book value of all Arizona jurisdictional assets is zero.

23           40.     If Leap Frog experienced financial difficulty, it would have only a minimal impact on  
24 its customers because there are many companies in Arizona that provide resold long distance and  
25 resold local exchange telecommunications services. Facilities-based providers are also available.

#### 26 **Proposed Rates and Competitive Services**

27           41.     Staff noted that the rates proposed by Leap Frog are for competitive services. Rates  
28 for competitive telecommunications services are generally not established according to rate-of-return

1 regulation. In its Staff Report, Staff determined that Leap Frog's fair value rate base ("FVRB") is  
2 zero. Although Staff evaluated the FVRB information submitted by Leap Frog, Staff determined that  
3 the FVRB information should not be given substantial weight in its analysis.

4 42. As a reseller of services purchased from other telecommunications companies, Leap  
5 Frog will have no market power and it will have to compete with other providers to obtain  
6 subscribers to its services.

7 43. In light of this competitive market, Staff believes that Leap Frog's proposed tariffs are  
8 just and reasonable.

9 44. Staff stated that because there are alternatives to Leap Frog's services, the Company  
10 will have to convince potential customers to purchase its services. The Company has no ability to  
11 adversely affect local exchange or interexchange service markets and, as such, Staff recommends that  
12 the Company's proposed services be classified as competitive.

13 45. For a telecommunications services reseller, the Commission's current performance  
14 bond or ISDLOC requirements are \$10,000 for resold long distance if a company collects advances,  
15 prepayments and/or deposits from Arizona customers, and \$25,000 for any entity providing resold  
16 local exchange services.

17 46. Leap Frog's proposed tariffs state that it may collect advances, deposits, and/or  
18 prepayments from its resold long distance customers. As such, Staff recommended a performance  
19 bond or ISDLOC of \$10,000 for its resold long distance CC&N. In order to protect Leap Frog's  
20 resold local exchange customers, Staff recommended that the Company should also acquire a  
21 performance bond or ISDLOC equal to \$25,000.

22 47. Staff recommended that Leap Frog file the original performance bond or ISDLOC  
23 with the Commission's Business Office and file copies with Docket Control, as a compliance item in  
24 this docket, within 30 days of the effective date this Decision. The performance bond or ISDLOC  
25 must remain in effect until further order of the Commission.

#### 26 **Regulatory Requirements**

27 48. If Leap Frog wishes to discontinue any service in Arizona, it must file an application  
28 with the Commission pursuant to Arizona Administrative Code ("A.A.C.") R14-2-1107. The

1 Company must notify each of its customers and the Commission 60 days prior to filing an application  
2 to discontinue service. Failure to meet these requirements could result in forfeiture of the Company's  
3 performance bond or ISDLOC.

4 49. Consistent with federal laws and rules, and A.A.C. R14-2-1308(A), Leap Frog shall  
5 make number portability available to facilitate the ability of a customer to switch between authorized  
6 local carriers within a given wire center without changing their telephone number and without  
7 impairment to quality, functionality, reliability or convenience of use.

8 50. Commission rules require Leap Frog to file a tariff for each competitive service that  
9 states the maximum rate as well as the effective (actual) price that will be charged for the service.  
10 Under A.A.C. R14-2-1109(A), the minimum rate for a service must not be below the total service  
11 long-run incremental cost of providing the service. Any change to Leap Frog's effective price for a  
12 service must comply with A.A.C. R14-2-1109, and any change to the maximum rate for a service in  
13 Leap Frog's tariff must comply with A.A.C. R14-2-1110.

14 51. A.A.C. R14-2-1204(A) requires all telecommunications service providers that  
15 interconnect to the public switched network to provide funding for the Arizona Universal Service  
16 Fund ("AUSF"). A.A.C. R14-2-1204(B)(3)(a) requires new telecommunications service providers  
17 that begin providing toll service after April 26, 1996, to pay AUSF charges as provided under A.A.C.  
18 R14-2-1204(B)(2).

19 52. Pursuant to FCC regulations 47 CFR Sections 64.3001 and 64.3002 and A.A.C. R14-  
20 2-1201(6)(d), the Company will provide all customers with 911 and E911 service, where available, or  
21 coordinate with ILECs and emergency service providers to provide 911 and E911 service.

22 53. A.A.C. R14-2-1901 *et seq.* establish requirements to protect Arizona consumers from  
23 unauthorized carrier changes ("slamming") and apply to each public service corporation providing  
24 telecommunications services in Arizona and over which the Commission has jurisdiction.

25 54. A.A.C. R14-2-2001 *et seq.* establish requirements to protect Arizona consumers from  
26 unauthorized carrier charges ("cramming") and apply to each public service corporation providing  
27 telecommunications services in Arizona and over which the Commission has jurisdiction.

28 ...

1 **Staff's Recommendations**

2           55. Staff recommends approval of Leap Frog's Application and recommends that the  
3 Commission adopt the following terms and conditions:

- 4           a. Leap Frog should be ordered to comply with all Commission rules, orders, and  
5 other requirements relevant to the provision of intrastate telecommunications  
6 service;
- 7           b. Leap Frog should be required to notify the Commission immediately upon  
8 changes to its name, address or telephone number;
- 9           c. Leap Frog should be ordered to cooperate with Commission investigations,  
10 including but not limited to customer complaints;
- 11           d. Leap Frog should be ordered to abide by the quality of service standards that  
12 were approved by the Commission for CenturyLink in Docket No. T-01051B-  
13 93-0183;
- 14           e. Leap Frog should be prohibited from barring access to alternative local  
15 exchange service providers who wish to serve areas where it is the only  
16 provider of local exchange service facilities;
- 17           f. Leap Frog must comply with federal laws and rules, and A.A.C. R14-2-  
18 1308(A), regarding number portability;
- 19           g. Leap Frog must provide all customers with 911 and E911 service, where  
20 available, or to coordinate with ILECs and emergency service providers to  
21 provide these services in accordance with 47 CFR §§ 64.3001 and 64.3002 and  
22 A.A.C. R14-2-120(6)(d);
- 23           h. If Leap Frog wishes to discontinue and/or abandon its service area, Leap Frog  
24 must provide notice to both its customers and the Commission 60 days prior to  
25 filing an application to discontinue service, and the application must be in  
26 accordance with A.A.C. R-14-2-1107. Leap Frog's failure to do so may result  
27 in forfeiture of the performance bonds or ISDLOCs;
- 28           i. Leap Frog's FVRB is zero;
- j. Leap Frog's services should be classified as competitive;
- k. Leap Frog should be authorized to discount its rates and service charges to the  
            marginal cost of providing the services;
- l. Leap Frog must offer Last Call Return service that will not return calls to  
            telephone numbers that have the privacy indicator activated;
- m. Leap Frog must offer Caller ID with the capability to toggle between blocking  
            and unblocking the transmission of the telephone number at no charge; and
- n. Leap Frog should be ordered to do the following and its CC&N should be  
            rendered null and void, after due process, if it fails to do the following:
- i. Leap Frog shall docket conforming tariffs for each service within its

1 CC&N within 30 days of the effective date of this Decision. The tariffs  
2 submitted shall coincide with the Application and the tariffs shall state  
3 that Leap Frog collects advances, deposits and/or prepayments;

- 4
- 5 ii. Leap Frog shall abide by Commission rules regarding the AUSF as  
6 stated in A.A.C. R14-2-1204(A), and shall make the necessary monthly  
7 payments as required by A.A.C. R14-2-1204(B);
- 8 iii. Leap Frog shall procure either a performance bond or ISDLOC equal to  
9 \$35,000. The minimum performance bond or ISDLOC should be  
10 increased if it becomes insufficient to cover advances, deposits, and/or  
11 prepayments collected from the Company's customers. The  
12 performance bond or ISDLOC amount should be increased in  
13 increments equal to 50 percent of the total minimum performance bond  
14 or ISDLOC. This increase should occur when the total amount of the  
15 advances, deposits, and/or prepayments is within 10 percent of the total  
16 minimum performance bond or ISDLOC amount;
- 17 iv. Leap Frog shall procure a second performance bond or ISDLOC in the  
18 amount of \$65,000. This performance bond or ISDLOC will remain in  
19 effect for a minimum period of three years after the date it is filed or  
20 until further order of the Commission, whichever is longer;
- 21 v. Leap Frog shall file the original performance bonds or ISDLOCs with  
22 the Commission's Business Office and 13 copies of the performance  
23 bonds or ISDLOCs with Docket Control, as a compliance item in this  
24 docket, within 30 days of the effective date of the Decision in this  
25 matter. The performance bonds or ISDLOCs must remain in effect  
26 until further order of the Commission. The Commission may draw on  
27 the performance bonds or ISDLOCs, on behalf of, and for the sole  
28 benefit of, the Company's customers, if the Commission, in its  
discretion, finds that the Company is in default of its obligations arising  
from its Certificate. The Commission may use the performance bonds  
or ISDLOCs funds, as appropriate, to protect the Company's customers  
and the public interest, and take any and all actions the Commission, in  
its discretion, deems necessary, including, but not limited to, returning  
prepayments or deposits collected from the Company's customers;
- vi. Leap Frog shall designate an ACC Compliance Officer, who must be a  
vice president-level officer or higher, and shall file with Docket  
Control, as a compliance item in this docket, within 30 days of the  
effective date of this Decision, a notice with the Commission naming  
the ACC Compliance Officer. If and when a new ACC Compliance  
Officer is appointed, Leap Frog shall file a notice in this docket within  
30 days of the new ACC Compliance Officer's appointment; and
- vii. Leap Frog shall file with Docket Control, as a compliance item in this  
docket, within 30 days of the effective date of this Decision, an  
affidavit from the ACC Compliance Officer averring that Leap Frog  
has instituted a formal compliance program that includes the following:  
(A) Training for the ACC Compliance Officer; (B) procedures to report  
any compliance concerns to the ACC Compliance Officer; and (C) a  
system for noting the due date of all reports and other regulatory  
requirements of the Commission, together with internal due dates and  
reminders to ensure timely compliance.

1           56. Further, Leap Frog shall provide local exchange service directly to Arizona end-users  
2 within three years of the Decision's effective date. In the event that Leap Frog does not provide local  
3 exchange service directly to Arizona end-users within three years of the Decision's effective date,  
4 Leap Frog shall file for cancellation of its CC&N to provide local exchange service within 39 months  
5 from the Decision's effective date.

6           57. Additionally, Leap Frog shall file in this docket Quarterly Reports attesting that it is in  
7 compliance with all Commission rules and orders, and all laws administered by the Commission, or  
8 listing each and every violation known to Leap Frog. The Quarterly Reports shall be signed, under  
9 penalty of perjury, by the ACC Compliance Officer. The first Quarterly Report shall be filed on or  
10 before December 31, 2013.

11           58. We believe it is reasonable to require that the Quarterly Report filings should also  
12 contain information about any regulatory compliance and/or complaint issues Leap Frog Telecom,  
13 L.L.C. experiences in other jurisdictions, including the FCC.

14           59. Further, we also find it reasonable to require that:

- 15           a. The maximum rates for Leap Frog's services shall be the maximum rates  
16           proposed by Leap Frog in its proposed tariffs;
- 17           b. Leap Frog's minimum rates for services shall be the total service long-run  
18           incremental costs of providing those services, A.A.C. R14-2-1109;
- 19           c. If Leap Frog states only one rate for a service in its proposed tariff, that the rate  
20           stated shall be the effective (actual) price to be charged for the service as well  
21           as the service's maximum rate;
- 22           d. Leap Frog shall maintain its accounts and records as required by the  
23           Commission;
- 24           e. Leap Frog shall file with the Commission all financial and other reports that  
25           the Commission may require, in a form and at such times as the Commission  
26           may designate;
- 27           f. Leap Frog shall maintain on file with the Commission all current tariffs and  
28           rates and any service standards that the Commission may require;
- g. Leap Frog shall comply with the Commission's rules and modify its tariffs to  
          conform to those rules if it is determined that there is a conflict between Leap  
          Frog's tariffs and Commission rules; and
- h. In the future, if Leap Frog wishes to provide telecommunications services in  
          Arizona beyond those authorized in this Decision, the Company must obtain  
          Commission approval to provide those services before offering them to

1 Arizona customers. If Leap Frog provides such service without first obtaining  
2 all required Commission approvals, the Commission may impose sanctions  
against Leap Frog, including, but not limited to, the forfeiture of any  
performance bond or ISDLOC.

3 60. Although the past regulatory compliance failures demonstrated by Leap Frog's  
4 management team are a cause for concern, we believe that terms and conditions stated in Findings of  
5 Fact Nos. 55 through 59 are reasonable and will provide sufficient protection for Arizona customers  
6 and should be adopted.

### 7 CONCLUSIONS OF LAW

8 1. Leap Frog is a public service corporation within the meaning of Article XV of the  
9 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

10 2. The Commission has jurisdiction over Leap Frog and the subject matter of the  
11 Application.

12 3. A.R.S. § 40-282 allows a telecommunications company to file an application for a  
13 CC&N to provide competitive telecommunications services.

14 4. A.R.S. § 40-282 allows the Commission to grant a CC&N without first conducting a  
15 hearing if the CC&N is for resold telecommunications services.

16 5. Notice of Leap Frog's Application was given in accordance with Arizona law.

17 6. Pursuant to Article XV of the Arizona Constitution and the Arizona Revised Statutes,  
18 it is in the public interest for Leap Frog to provide the telecommunications services for which it  
19 requested authorization in its Application.

20 7. Under the facts stated herein, Leap Frog is a fit and proper entity to receive a CC&N  
21 authorizing it to provide resold long distance and resold local exchange telecommunications services.

22 8. The services that Leap Frog desires to provide are competitive in Arizona.

23 9. Pursuant to Article XV of the Arizona Constitution and 14 A.A.C. 2, Article 11, it is  
24 just and reasonable and in the public interest for Leap Frog to establish rates and charges for  
25 competitive services that are not less than Leap Frog's total service long-run incremental costs of  
26 providing the approved competitive services.

27 10. Leap Frog's FVRB is not useful in determining just and reasonable rates for the  
28 competitive services it proposes to provide to Arizona customers.

1 11. Leap Frog's rates, as they appear in its proposed tariffs, are just and reasonable and  
2 should be approved.

3 12. The recommendations stated in Findings of Fact Nos. 55 through 59 are reasonable  
4 and should be adopted.

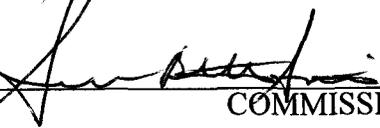
5 **ORDER**

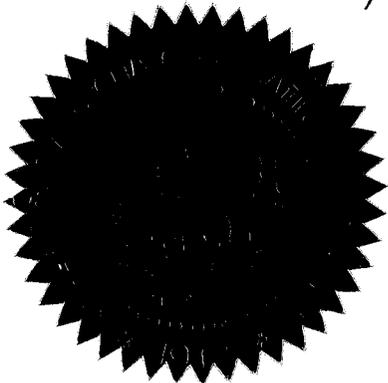
6 IT IS THEREFORE ORDERED that the Application of Leap Frog Telecom, L.L.C. d/b/a  
7 Voce Telecom for a Certificate of Convenience and Necessity to provide competitive resold long  
8 distance and resold local exchange telecommunications services in Arizona is granted, subject to the  
9 terms and conditions stated in Findings of Fact Nos. 55 through 59.

10 IT IS FURTHER ORDERED that if Leap Frog Telecom, L.L.C. d/b/a Voce Telecom fails to  
11 meet the conditions outlined in Finding of Fact No. 55(n), this conditionally granted Certificate of  
12 Convenience and Necessity shall become null and void after due process.

13 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

14 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

15			
16	CHAIRMAN	COMMISSIONER	
17			
18	COMMISSIONER	COMMISSIONER	COMMISSIONER



20 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
21 Director of the Arizona Corporation Commission, have  
22 hereunto set my hand and caused the official seal of the  
23 Commission to be affixed at the Capitol, in the City of Phoenix,  
24 this 25<sup>th</sup> day of October 2013.

25   
26 JODI JERICH  
27 EXECUTIVE DIRECTOR

28 DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_  
BM:ru

1 SERVICE LIST FOR: LEAP FROG, TELECOM, L.L.C. DBA VOCE  
TELECOM

2  
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EXHIBIT A

