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BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)
)
PAY TEL COMMUNICATIONS, INC.)
) No. 10-0260
Application for a certificate)
of authority to operate as a)
reseller of interexchange)
telecommunications services in)
the State of Illinois.)

Chicago, Illinois
October 20, 2010

Met, pursuant to notice, at 12:00 p.m.

BEFORE:

Mr. Douglas E. Kimbrel, Administrative Law Judge

APPEARANCES:

NOWALSKY, BRONSTON & GOTHARD, APLLC, by
MR. LEON L. NOWALSKY
1420 Veterans Memorial Blvd.
Metairie, LA 70005
appearing via phone for applicant;

MS. QIN LIU
160 North LaSalle Street
Suite C-800
Chicago, IL 60601
appearing for ICC Staff.

SULLIVAN REPORTING COMPANY, by
Jean M. Plomin, CSR, RPR
License No. 084-003728

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I N D E X

<u>Witnesses:</u>	<u>Direct</u>	<u>Cross</u>	<u>Re-</u> <u>direct</u>	<u>Re-</u> <u>cross</u>	<u>By</u> <u>Examiner</u>
J.V. Townsend	5	8			16

E X H I B I T S

<u>Number</u>	<u>For Identification</u>	<u>In Evidence</u>
None.		

1 JUDGE KIMBREL: Pursuant to the authority of
2 the Illinois Commerce Commission, I now call Docket
3 No. 10-0260, Pay Tel Communications, Inc. This is an
4 application for a certificate of authority to operate
5 as a reseller of interexchange telecommunications
6 services in the State of Illinois.

7 Will the parties please identify
8 themselves for the record.

9 MR. NOWALSKY: Leon Nowalsky. Last name is
10 spelled N-o-w-a-l-s-k-y. I am counsel for Pay Tel.

11 MR. TOWNSEND: And I am John Vincent Townsend,
12 and I am the president of Pay Tel Communications.

13 JUDGE KIMBREL: Gentlemen -- I'm sorry -- but
14 if you could give your address and telephone numbers
15 for the court reporter.

16 MR. NOWALSKY: Yes. Leon Nowalsky. My address
17 is 1420 Veterans, V-e-t-e-r-a-n-s, Boulevard. And
18 that's in Metairie -- spelled M-e-t-a-i-r-i-e --
19 Louisiana. And the zip code is 70004 -- I'm sorry --
20 -0005. Pardon me. And my phone number is area code
21 (504) 832-1984.

22 JUDGE KIMBREL: And, Mr. Townsend, could you

1 give your address and phone number as well. I'm
2 sorry.

3 MR. TOWNSEND: Yeah. It's Pay Tel
4 Communications, Inc., 4230 Beechwood -- that's one
5 word -- B-e-e-c-h-wood Drive, Greensboro,
6 North Carolina, 27410. And the phone number is
7 (336) 852-7419.

8 MS. LIU: Appearing for Commission Staff, my
9 name is Qin Liu. First name, Q-i-n; last name,
10 L-i-u. Address, 160 North LaSalle Street, Chicago,
11 Illinois.

12 JUDGE KIMBREL: Okay. Mr. Nowalsky, you filed
13 a motion to appear pro hac vice within the last
14 couple of days, and you state that the State of
15 Louisiana does share reciprocity with Illinois; is
16 that correct?

17 MR. NOWALSKY: Yeah, on a pro hac vice matter,
18 yes. Illinois counsel are allowed to appear in
19 Louisiana court, that's correct.

20 JUDGE KIMBREL: Okay. That being the case,
21 your motion to appear pro hac vice is granted.

22 And I understand that Mr. Townsend

1 will be testifying today; is that correct?

2 MR. NOWALSKY: That is correct.

3 JUDGE KIMBREL: Okay. Mr. Townsend, if you
4 would please raise your right hand.

5 (Witness sworn.)

6 JUDGE KIMBREL: Mr. Nowalsky, would you like to
7 proceed?

8 MR. NOWALSKY: Yes, thank you.

9 JUDGE KIMBREL: You're welcome.

10 JOHN VINCENT TOWNSEND,
11 called as a witness herein, having been first duly
12 sworn, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY

15 MR. NOWALSKY:

16 Q Mr. Townsend, on April 1st did you cause to
17 be filed into e-Docket at the Illinois Commerce
18 Commission an application to be a reseller of
19 interexchange telecommunications services?

20 A Yes, we did.

21 Q And that application -- as part of your
22 application, it included an application form as well

1 as various attachments to the application?

2 A Yes, sir.

3 Q Okay. In your application in Question
4 No. 17, it is stated that the company will
5 provide LEC-billed services -- it will bill its
6 customers through LEC billing. And it is now our
7 understanding that you want to amend that to include
8 both LEC and direct bill; is that correct?

9 A That's correct.

10 Q And, secondly, on Attachment 4 you state a
11 list of states where the company, at the time the
12 application was filed, was presently providing
13 services; is that correct?

14 A That's correct.

15 Q Okay. And since the date that this
16 application was filed, additional states -- authority
17 was granted in additional states for you to provide
18 services; is that correct?

19 A That's correct.

20 MR. NOWALSKY: We would like to ask the
21 Commission if we could supplement Attachment 4 to the
22 application to add these additional states to the

1 filing.

2 JUDGE KIMBREL: Staff, do you have any
3 objection?

4 MS. LIU: No, Staff does not have an objection.

5 JUDGE KIMBREL: That's not a problem and please
6 do so.

7 MR. NOWALSKY: And should we file that as a
8 late-filed exhibit, or how would your Honor prefer it
9 to be filed?

10 JUDGE KIMBREL: Whatever's convenient for you.
11 You could even do it on the record, you know, if you
12 want to identify -- if we're talking about
13 Attachment 4, you could identify the states. You
14 could also file a late-filed exhibit. Whatever's
15 convenient.

16 BY MR. NOWALSKY:

17 Q Mr. Townsend, do you have a list of the
18 current states where they're certified and maybe you
19 could read that into the record?

20 A Yes, I do.

21 MR. NOWALSKY: Okay.

22 THE WITNESS: Okay. You want me to go ahead

1 and proceed with reading that now, your Honor?

2 JUDGE KIMBREL: Yes, that's fine.

3 THE WITNESS: Okay. Alabama, Arkansas,
4 California, Colorado, Connecticut, Delaware, District
5 of Columbia, Florida, Georgia, Idaho, Indiana, Iowa,
6 Kansas, Kentucky, Louisiana, Massachusetts, Michigan,
7 Minnesota, Mississippi, Missouri, Montana, Nebraska,
8 New Hampshire, New Jersey, New York, North Carolina,
9 North Dakota, Ohio, Oregon, Pennsylvania, Rhode
10 Island, South Carolina, South Dakota, Tennessee,
11 Utah, Vermont, Virginia, Washington, West Virginia,
12 Wisconsin and Wyoming.

13 JUDGE KIMBREL: Okay. Mr. Nowalsky, do you
14 have anything further?

15 MR. NOWALSKY: No, your Honor.

16 JUDGE KIMBREL: Okay. Staff, do you have any
17 questions for Mr. Townsend?

18 MS. LIU: Yes, I have a couple of questions.

19 CROSS-EXAMINATION

20 BY

21 MS. LIU:

22 Q It's our understanding that you provide

1 services to the prisons; is that correct?

2 A Yes, ma'am.

3 Q Do you provide services to non-prisons?

4 A No. Our service is in providing inmate
5 telephone service to local, county, city jails and
6 possibly prisons. We don't have any plans
7 immediately to do prisons. Our plans are to do
8 local, county or city jails in Illinois.

9 Q Okay. So who are your customers? The
10 customers that open the account are the customers who
11 receive the phone call, not the customer who makes
12 the phone call?

13 A The person we enter into the contractual
14 relationship with would be the County Sheriff or the
15 County Commissioners. The persons who are the
16 customers could be the inmate if he purchases a
17 prepaid card or uses debit calling. In that case,
18 the inmate would be the customer. Or the called
19 party could accept the call as a collect call, or the
20 called party could set up a prepaid account or a
21 direct bill account with us. And in that case, they
22 would be the customer.

1 Q You mean the people who receive the phone
2 call would be the customer?

3 A That's correct.

4 Q Okay. So your pay phone system, a customer
5 can make a phone call themselves, noncollect call;
6 they use debit card or prepaid. So they also can do
7 postpaid. In a second scenario, the customer will
8 be -- or the customer under whose name the account is
9 open is the customer who receives the phone call. Am
10 I --

11 A That's correct. In other words, if the
12 inmate is calling his mother, the inmate can call his
13 mother using a prepaid card he purchases or a debit
14 account he sets up, the inmate sets up in the jail;
15 or his mother can receive the bill -- receive the
16 call as a collect call and pay her local telephone
17 company.

18 Or if the mother wishes to use a
19 company like a wireless carrier or a VoIP carrier or
20 a CLEC that do not provide billing for the calls, we
21 allow the mother to set up an account with us and the
22 account would be in her name, and she would either

1 have a prepaid account or she could have a direct
2 bill postpaid account.

3 Q Okay. Just to follow up on what you just
4 said. You said that -- also looking at your
5 company's commercial plan -- you said if local
6 company's billing -- local company has limits for the
7 number of collect calls a customer can make and can
8 receive.

9 Do you have any evidence that AT&T,
10 for example, has a limit on the number of collect
11 calls a customer --

12 A The limit that you're referring to is a
13 limit that we have historically established based on
14 our credit experience or our collection experience
15 with the local telephone company.

16 We establish a threshold where we
17 have -- our experience has shown that -- we want to
18 be cautious that we don't want people incurring more
19 debt with the calls than they can afford to pay. And
20 what we do is we notify the customer -- because we
21 want to make sure it's not a daughter or a son
22 accepting phone calls that the parent, who's paying

1 the bill, doesn't want to pay.

2 And so we actually initiate phone
3 calls out from our customer service people to the
4 customer to let them know how many calls they're
5 accepting. And we follow that up with a threshold
6 that beyond a certain point, we give the customer an
7 opportunity to have a prepaid account and receive a
8 discount on the calls or set up a direct bill postpay
9 account.

10 Q I guess I probably didn't make the question
11 clear.

12 Do you know for a fact AT&T limits the
13 number of calls a customer -- a collect call customer
14 can receive?

15 A I'm not aware of AT&T establishing a limit
16 on that.

17 Q Or do you have knowledge of any other
18 incumbent local exchange company in Illinois imposing
19 a limit?

20 A I'm not aware of any limit that is
21 established by an incumbent LEC. There very well may
22 be, but I'm not aware of it.

1 Q Because according to your commercial, you
2 say, "If you have reached your local telephone
3 company's billing limit for collect calls," so I
4 wonder whether you know for a fact that there's such
5 a limit?

6 A There may be some confusion in what you're
7 looking at or what you're referring to. The
8 threshold limit is a limit we establish based on our
9 experience with the local telephone company and how
10 our uncollectible experience is with that particular
11 telephone company.

12 Q Were you actually acting like a collection
13 agency for the local telephone company?

14 A No.

15 Q What was the experience you refer to?

16 A The experience that we have had with
17 different telephone companies has been fairly
18 significant. With AT&T, we have had a very good
19 relationship. We have a direct billing and
20 collection agreement with AT&T, with Verizon, with
21 CenturyLink/EMBARQ, with several telephone companies.
22 And with AT&T, they have been very accountable. We

1 have not had any issues relative to receiving our
2 funds.

3 With EMBARQ, which is now CenturyLink,
4 as a comparison you basically can accept all the
5 collect calls you want and then call up EMBARQ and
6 just tell them you deny all knowledge of receiving
7 the phone calls. And that has created a problem with
8 very high uncollectibles or very high post billing
9 adjustments with us in dealing with EMBARQ.

10 So as a matter to try to protect
11 ourselves, we have established a lower billing
12 threshold with EMBARQ customers as opposed to
13 customers that have AT&T as their primary -- as their
14 local exchange carrier.

15 Q So the limit is imposed by your company,
16 not by the local telephone company?

17 A That's correct.

18 Q Okay. Well, your commercial seems to be a
19 little misleading on that.

20 A And what are you referring to there? Are
21 you referring to something --

22 Q I can read you the page: Customer Calling

1 Plans, the first sentence says -- I got it from your
2 Web site.

3 A Okay. So I need to go back and check my
4 Web site. And I agree that what you read could lead
5 to some confusion, and we'll look at that and change
6 that.

7 What page is that on our Web site? Do
8 you know that?

9 Q Customer Calling Plan. It describes
10 different customer calling plans.

11 A Okay. I'll look at that, and we'll make a
12 change on that.

13 Q The first sentence is, "If you have reached
14 your local telephone company's billing limit for
15 local (sic) calls." Second is, "If your local phone
16 company or wireless will not bill inmate collect
17 calls."

18 So I don't know if that was based on
19 fact or based on -- the first one you explained that
20 the limit was not imposed by the local phone company;
21 it was imposed by your company.

22 A Correct.

1 Q But the sentence here was a little
2 misleading. Okay. That's fine.

3 A We'll make a change in that and make that
4 clearer.

5 MS. LIU: Okay. That will be fine.

6 I have no more questions.

7 JUDGE KIMBREL: Okay. Mr. Townsend, I just
8 have a few questions for you.

9 EXAMINATION

10 BY

11 JUDGE KIMBREL:

12 Q Outside of what you and Counsel have
13 already mentioned, has the information in the
14 application changed since it was filed?

15 A Not that I'm aware of. Obviously the
16 financial information was, you know, 2008
17 information, I believe.

18 Q Okay. Are you aware of federal and state
19 slamming and cramming laws pursuant to Section 13-902
20 of the Public Utilities Act and Section 258 of the
21 1996 Telecommunications Act?

22 A Yes, sir.

1 Q Okay. Has the company received complaints
2 in the other jurisdictions where it is certified?

3 A Complaints of what nature? You mean
4 formal?

5 Q Regarding its business activities.

6 A We will receive on occasion informal
7 inquiries that may go to staff. We have a stellar
8 track record in responding to those in a timely
9 manner. And the number of complaints we have are
10 very minimal.

11 And one of the things which is related
12 to what you're talking about but is not specific to
13 state regulators, we have the highest rating you can
14 receive from the Better Business Bureau. We have an
15 A-plus rating with the Better Business Bureau. And
16 we actually give the link to our customers on our
17 welcome page, on our home page, where they can go
18 straight to the Better Business Bureau if they have a
19 problem with us.

20 So we pride ourselves on timely
21 response to customer inquiries and eliminating
22 complaints. And we've been in business for 24 years,

1 and we've never had a formal complaint in any
2 jurisdiction we've done business in at all.

3 JUDGE KIMBREL: Okay. Thank you very much,
4 Mr. Townsend.

5 Mr. Nowalsky, would you like to
6 present your motion for protective order?

7 MR. NOWALSKY: Yes. I would request the
8 Commission to amend our initial protective order that
9 we filed to change the time period under which the
10 financials submitted by Pay Tel will be protected, to
11 change it from five years as mentioned in the motion
12 to -- I think it was two years which is the
13 requirement under Illinois statute.

14 JUDGE KIMBREL: Okay. Staff, do you have any
15 objection?

16 MS. LIU: No.

17 JUDGE KIMBREL: Okay. That being the case,
18 your motion for a protective order is granted for two
19 years.

20 I don't have anything further.

21 So, Mr. Nowalsky or Staff, do you have
22 anything further?

1 MS. LIU: No, not from Staff.

2 MR. NOWALSKY: Nothing further.

3 JUDGE KIMBREL: That being the case, I'll mark
4 this matter heard and taken.

5 HEARD AND TAKEN.

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