



Davis Wright Tremaine LLP

ANCHORAGE BELLEVUE LOS ANGELES NEW YORK PORTLAND SAN FRANCISCO SEATTLE SHANGHAI WASHINGTON, D.C

JAMES M. SMITH
DIRECT (202) 973-4288
jamesmsmith@dwt.com

SUITE 200
1919 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20006-3402

TEL (202) 973-4200
FAX (202) 973-4499
www.dwt.com

May 8, 2007

BY ELECTRONIC FILING

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *Ex Parte*
WC Docket No. 05-68

Dear Ms. Dortch:

On May 7, 2007, the undersigned met with Ian Dillner, Legal Advisor to Chairman Martin, to discuss Arizona Dialtone's Petition for Reconsideration in the above-referenced proceeding. The attached handout was used during this meeting.

Please direct any correspondence concerning this matter to the undersigned counsel.

Sincerely,

DAVIS WRIGHT TREMAINE LLP

A handwritten signature in black ink, appearing to read 'James M. Smith', written over a horizontal line.

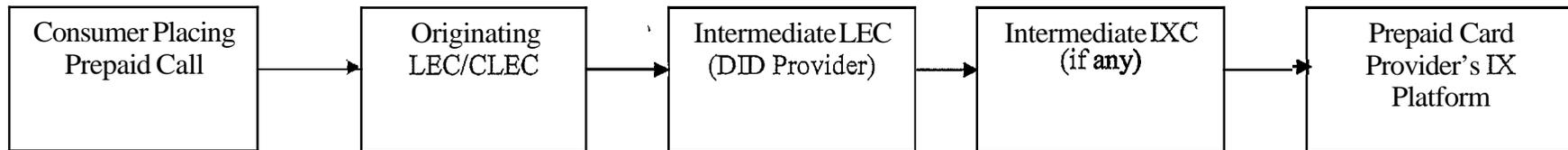
James M. Smith
Counsel for Arizona Dialtone Inc.

cc: Ian Dillner, Esq.
Best Copy and Printing, Inc.

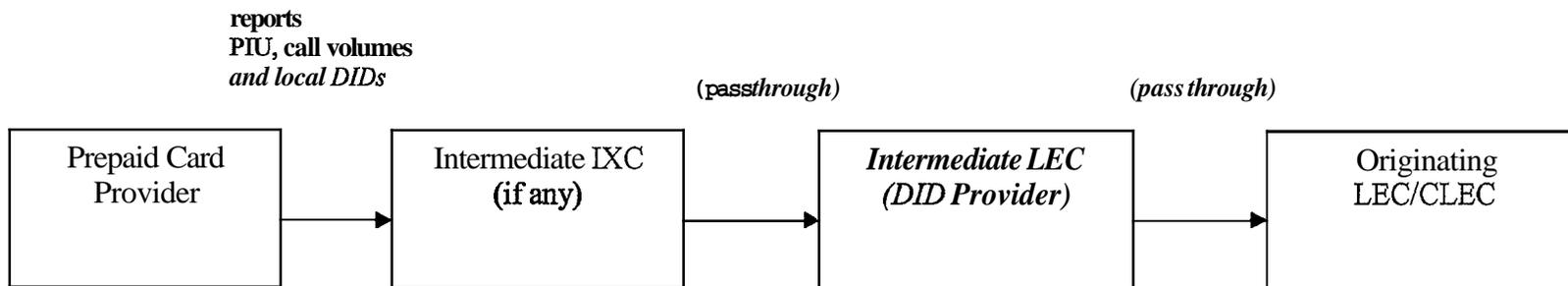
**ARIZONA DIALTONE INC. PETITION FOR
RECONSIDERATION IN WC DOCKET 05-68
(6/06 PREPAID CALLING CARD ORDER)**

- Arizona Dialtone is a small CLEC that depends on fair recovery of originating access charges for interstate services provided by IXCs in its local service areas.
- FCC was correct in ruling that Prepaid Calling Card Providers are telecommunications carriers subject to **USF** and access charge payment obligations. *But* this welcome decision will be **an unenforceable nullity** unless the FCC augments its new “reporting and certification” rules to prevent prepaid card providers from using “DID” numbers and other forms of local routing to disguise long distance calls **as** “local” ones in order to avoid originating access charges. This practice is widespread and proliferating, because it renders access charge billing impossible.
- The FCC’s June 2006 *Order* observed: *“this Order will provide a level regulatory playing field for calling card providers, thereby reducing the potential for continued ‘gaming’ of the system. In the absence of these actions, uncertainty regarding applicability of our rules could; . . . encourage providers to adapt their products solely to evade contribution. . . .”* That evasion is continuing and spreading. The Commission must act.
- **Arizona Dialtone’s Proposal:** “Intermediate” carriers that furnish DID local access numbers used by prepaid card providers for long-distance access must disclose the identity of customers who purchase those numbers to **an** originating LEC entitled to recover access charges. Upstream and downstream intermediate carriers must have accountability for passing along that information. Otherwise, **an** originating LEC will be clueless **as** to whom to bill for access and the prepaid card provider will successfully avoid its access obligation.
- The FCC has imposed very similar tracking and reporting requirements on carriers in its *Payphone Compensation* docket, for a similar purpose: to enable payphone providers to recover compensation for completed calls.
- All Commenters agree that the problem is real and widespread. Verizon, AT&T and Embarq all substantially supported the Petition, while suggesting different regulatory solutions; Level 3, a DID provider itself, would have the Commission defer the issue to the pending Intercarrier Compensation docket.
- Verizon, AT&T and Embarq (large ILECs all) propose to compel prepaid providers to subscribe to large ILECs’ tariffed Feature Group A services. While large ILECs would benefit under a “compelled FGA” rule, many prepaid card providers and intermediate carriers cannot afford to establish the direct LEC access (*i.e.*, separate dedicated trunk connections at every central office) needed for Feature Group A, and many smaller CLECs cannot offer FGA access. Such a regime would replace one evil with another, by harming competition in both prepaid calling and competitive carrier services.
- Level 3 is incorrect in claiming that SMS/800 blocking is a solution, because **only** the carrier controlling the local number can initiate such blocking, and DID calls often do not touch the SMS database.

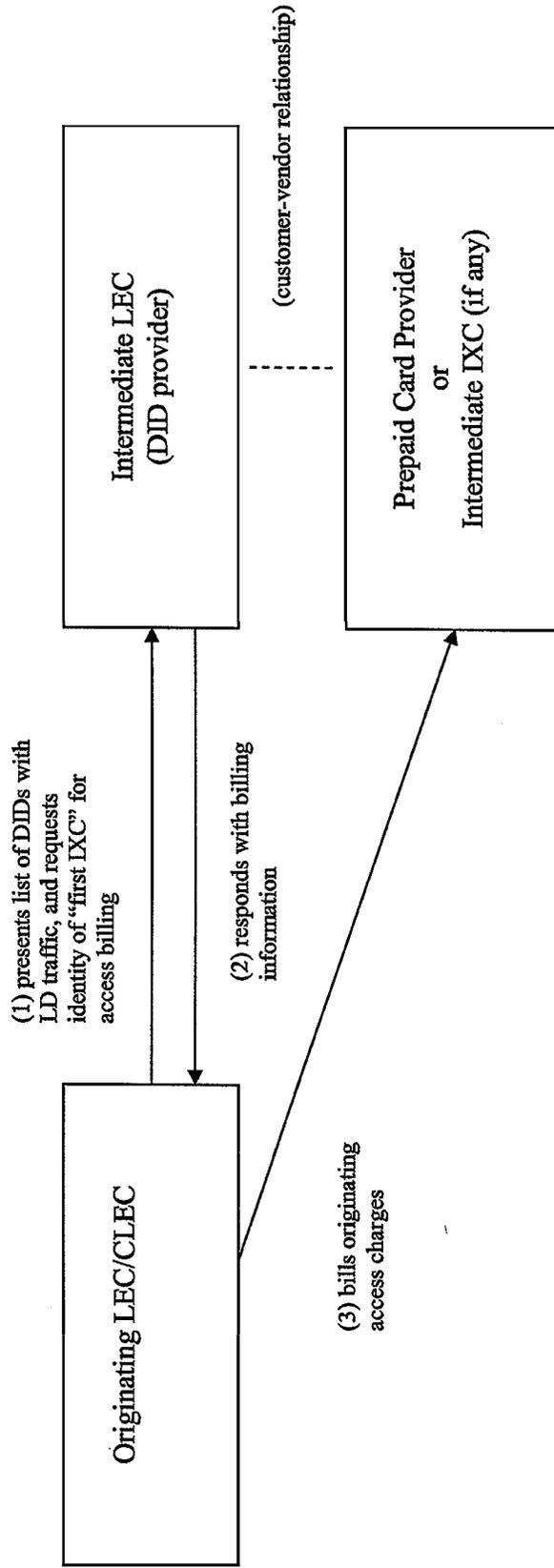
CALL FLOW OF "LOCALLY" ROUTED PREPAID CALLS



FCC RULE 64.5001 (PER 6/30/06 ORDER)
[with Arizona Dialtone proposed revisions in *italics*]



HOW ARIZONA DIALTONE'S PROPOSAL WOULD ENABLE ORIGINATING LECs TO BILL ACCESS CHARGES FOR LONG DISTANCE CALLS ROUTED THROUGH "LOCAL" NUMBERS



PROPOSED AMENDMENTS TO FCC RULE 64.5001
(proposed revisions in bold italics)

§ 64.5001 Reporting and Certification Requirements

(a) All prepaid calling card providers must report prepaid calling card percentage of interstate use (PIU) factors, and call volumes from which these factors were calculated, based on not less than a one-day representative sample, and *lists of direct-inward-dial (DID) or similar local access numbers utilized for routing calls to their long distance platforms*, to those carriers from which they purchase transport services. Such reports must include the billing name, address, telephone number, point of contact, and e-mail address of the reporting entity, and must be provided no later than the 45th day of each calendar quarter for the previous quarter.

(b) *Transport carriers that receive reports from their customers pursuant to paragraph (a) or (b) of this section must promptly forward these reports to those carriers with whom they exchange traffic, upon request from such carriers.*

(1) A transport carrier that forwards reports under this paragraph must supplement those reports with a listing of any DID or similar local access numbers that it utilizes for the transport of the underlying traffic to its reporting customer, if such local access numbers are not already listed in the reports being forwarded. For every listed local access number that is under the control of the transport carrier as an exchange carrier, the transport carrier shall provide access billing information that includes, for each local access number, the billing name, address, telephone number, point of contact, and e-mail address for the prepaid calling card provider or transport carrier responsible for paying originating access charges.

(2) Any failure by a prepaid calling card provider or transport carrier to provide reports pursuant to either paragraph (a) or this paragraph shall not relieve an exchange carrier that controls local access numbers utilized for routing long distance calls of the duty under this section to furnish to a requesting originating local exchange carrier the access billing information associated with each such local access number.

| (bc) If a prepaid calling card provider fails to provide the appropriate PIU information to a transport provider in the time allowed, the transport provider may apply a 50 percent default PIU factor to the prepaid calling card provider's traffic.

| (ed) On a quarterly basis, every prepaid calling card provider must submit to the Commission a certification, signed by an officer of the company under penalty of perjury, providing the following information with respect to the prior quarter:

(1) The percentage of intrastate, interstate, and international calling card minutes for that reporting period;

(2) The percentage of total prepaid calling card service revenue (excluding revenue from prepaid calling cards sold by, to, or pursuant to contract with the Department of Defense (DoD) or a DoD entity) attributable to interstate and international calls for that reporting period;

(3) A statement that it is making the required Universal Service Fund contribution based on the reported information; and

(4) A statement that it has complied with the reporting requirements described in paragraph (a) of this section.