

Budget Phone INC.

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Beth O'Donnell
Executive Director
Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40602-0615

RECEIVED

JUL 28 2005

PUBLIC SERVICE
COMMISSION

July 27, 2005

Subject: Response to the Appendix Order of the commission, Case No. 2008-00186 and Data Request from the office of the Attorney General.

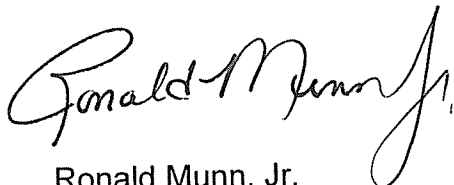
Dear Ms. O'Donnell:

Enclosed is Budget Phone's response, as requested by the Commission, to the questions contained in Case No. 2008-00186 along with the data request from the Attorney General's office relating to the same. Please accept my apology for the lateness of the response, which was due by July 22, 2005.

Budget Phone is committed to work diligently with the Commission in an effort to resolve the issue of language used in relation to service plans labeled as "unlimited" in a manner that serves and protects both the consumer and the service provider.

If you should have any questions, please contact my office at (318) 671-5703.

Sincerely,



Ronald Munn, Jr.
Director, Regulatory & Revenue Assurance
Budget Phone, Inc

RESPONSE

RESPONSE OF BUDGET PHONE, INC. TO AN
APPENDIX TO AN ORDER OF THE
KENTUCKY PUBLIC SERVICE COMMISSION IN
ADMINISTRATIVE CASE NO. 2008-00186 DATED June 22, 2005

1. Does the utility offer a plan that is described, named, or marketed as “unlimited”? If yes, identify and describe the plan and provide copies of the tariff sheets on which the plans can be found.

Yes. Budget Phone markets residential service plans, which provide unlimited local and unlimited access to long distance. These service plans are known as the Budget Phone Deluxe and the Deluxe Unlimited plans. Description of these plans can be found in Budget Phone’s revised Kentucky PSC Tariff No. 1, pages 18.1 through 18.3 filed by counsel on July 22, 2005 (see attachment A).

2. If the utility has an “unlimited” plan, are there use restriction or other limitations on the plan? If yes, describe these restrictions and reference the utility’s tariff.

Yes. Usage is intended for and restricted to “typical residential usage”. A complete list of restrictions can be found in Budget Phone’s revised Kentucky PSC Tariff No. 1, pages 18.2 and 18.3 (see attachment A).

3. How and when are customers or potential customers notified of the limitations on the unlimited plan? Describe the notification.

Information regarding plan restrictions can be found on point of purchase materials available, upon the customer’s requests, at the agent location or from Budget Phone. This information is also currently located on the Customer Service Application (attached).

4. If third parties (agents, telemarketers, consignees, etc.) market, advertise, or otherwise offer end-users the utility’s unlimited plan, explain how these “marketers” are required to verify compliance with the notice requirements.

When processing customer applications, agent locations are required to do the following.

- A. *Fill out the application.*
- B. *Have the customer sign the Letter or Agency.*
- C. *Provide the customer with a copy of the application.*
- D. *Upon request, provide the customer with a copy of the point-of-purchase material.*

5. Assuming a customer has subscribed to an “unlimited” plan that has use limitations, is the customer notified when the limitations are exceeded? If yes, how is the customer notified?

Each time a customer accesses Budget Phone’s long distance platform, a recording is played, before the call is connected, detailing the amount of long distance service the customer has available. Once the included time has expired, the platform will no longer process long distance calls (local calls remain unaffected). On the first day of the new billing cycle, long distance service is automatically refreshed on all accounts with current balances.

6. How and when are customers notified that changes have been made to the plan?

Currently, there are two methods of notifying customers of changes to their accounts. These are:

- A. Bill message*
- B. Bill stuffer*

7. Are customers able to check the number of minutes they have used in order to determine if they will exceed the plan’s limitations?

Please see response to question no. 5.

8. Explain why the utility markets, names, or describes a plan as “unlimited” when limits on the plan exist?

Budget Phone markets these service plans to it’s end users and believes that the services allow an abundance of local and long distance calling when used for typical residential usage. Restrictions are placed on the services to prevent customers from using the services in a fraudulent manner or in a manner that is not consistent with typical residential use.

9. Explain how the utility ensures that the unlimited plan is offered and the rates, terms, and conditions of service are applied without discrimination as required by KRS 278.170(1).

By applying the restrictions in a ubiquitous fashion to all accounts with this service plan, Budget Phone meets the requirements of KRS 278.170(1), which states “No utility shall, as to rates or services, give any unreasonable preference or advantage to any person or subject any person to any unreasonable prejudice or disadvantage, or establish or maintain any unreasonable difference between

localities or between classes of service for doing a like and contemporaneous service under the same or substantially the same conditions”.

10. Provide summary records of all complaints received by the utility regarding any unlimited plans offered in Kentucky since January 1, 2001. Include the date that the complaint was opened, customer class, description of complaint, description of the complaint resolution, and date that the complaint was closed.

To date, Budget Phone is aware of only one complaint regarding the restriction on it's calling plans. The complaint was opened on January 20, 2005, with the Kentucky Public Service Commission by Mr. Billy Ray Hinkle in Case No. 2005-00025. In the complaint, Mr. Hinkle alleged that his service included local, long distance, and custom calling features and that he was unaware that his plan carried usage restrictions. Budget Phone responded to Mr. Hinkle and the Commission with printed material, available from Budget Phone or it's agent locations, which detailed that Budget Phone reserved the right to suspend or restrict service without notice for any activity presumed by the company to be inconsistent with residential usage. The Case was subsequently closed by the Commission on April 28, 2005.

RESPONSE

RESPONSE OF BUDGET PHONE, INC. TO THE
ATTORNEY GENERAL'S DATA REQUEST
RELATING TO CASE NO. 2008-00186

1. Please provide copies of all advertisements, regardless of medium, solicitations, and explanations provided to the public to introduce, explain and/or market any plan labeled or otherwise described as "unlimited". In the event that the medium used is audio or video in nature, a transcript of same is deemed sufficient.

Please see attachment B

2. Please provide a copy of any and all contracts signed by customers who have participated or are participating in a plan labeled or otherwise described as "unlimited". This request seeks only a copy of the blank contract(s), not the executed contract for every customer.

Please see attachment C

Attachment A

Budget Phone, Inc.

1ST Revised Sheet 18.1
Cancels Original Sheet 18.1
Kentucky PSC Tariff No. 1

(N)

3.1.3 Budget Phone Bonus Plan

The Budget Phone Bonus Plan is a bundled pre-paid residential service Plan offered on a flat or measured rate basis. The Bonus Plan, along with its individual components, is available on a where offered basis. Budget Phone reserves the right, at its sole discretion, to alter, change, or substitute individual features. Customers must access Budget Phone's Long Distance platform by first dialing a toll free number and then must dial the ten-digit (10) termination number in order to complete the call. The Plan provides the Customer with access to 250 minutes of interexchange intrastate long distance usage (certain restrictions, as outlined below, do apply). This plan does not provide for call detail information on the Customers monthly bill.

The Bonus Plan includes the following (available on a where offered basis):

- (1) Local dial-tone line
- (2) Call Waiting
- (3) Call Forwarding
- (4) Three Way Calling
- (5) Caller ID
- (6) Call Return
- (7) 250 minutes of long distance for calls terminating within the continental United States

(N)

3.1.4 Budget Phone Deluxe and Deluxe Unlimited Plans

(T)

The Deluxe Prepaid Package is offered to all residential customers in the BellSouth, Alltel, and Cincinnati Bell exchanges of Kentucky as defined by each Incumbents tariff on file with the Commission and includes: a) a residence dial tone line on a flat or measured rate basis (b) unlimited access to intra and interstate Long Distance calling within the Continental United States, per billing cycle; and (c) the following five (5) Custom Calling Features: Caller ID, Call Return, Call Waiting, Three-way Calling and Call Forwarding ¹. Customers must access Budget Phone's Long Distance platform by first dialing a toll free number and then must dial the ten-digit (10) termination number in order to complete the call. This plan does not provide for call detail information on the Customers monthly bill.

¹ The Company reserves the right to offer, alter, change, substitute, or exclude the Custom Calling Features at the same rate to customers in those regions where it may be economically feasible for the Company to do so.

(T)

Issued: July 22, 2005

Effective:

By:

R. D. Hyde, Jr., President
6901 West 70th Street
Shreveport, LA 71129

3.1.5 Customer Eligibility Criteria

(N)

New customers are eligible for these plans if they meet the following requirements:

A. Customers must subscribe to Budget Phone Local and Long Distance service for both intra and interstate long distance service

B. This plan is for voice service only and cannot be used for any use deemed inconsistent with residential use by Budget Phone.

C. This plan is not available to customers with an account that bills to another number or is the recipient of charges billed from another number.

D. Customer lines associated with educational institutions (colleges, universities, etc) or businesses are not eligible for this plan.

E. Unlimited access to long distance is for residential voice telephone service only and usage does not include multi-party conference calls, calls to 900 numbers, directory assistance, calling card, operator services, international calling, toll free numbers, chat rooms, telemarketing, commercial, facsimile (commercial), internet, automated dialing, special interest lines, and other non-residential use.

F. Unlimited access to long distance is not available for resale.

G. If Budget Phone determines that usage is not consistent with typical residential customer usage, the customer, at the sole discretion of the company, may be subject to additional charges, loss of unlimited access to long distance service, or to an alternate plan.

H. For the purpose of the Deluxe plan, typical residential usage is presumed to be total usage that does not exceed 2,000 minutes of intra and interstate usage per billing cycle, per account. Budget Phone's long distance platform will automatically deny calls on accounts that have used the allowed 2,000 minutes. Customers who wish to continue unlimited access to long distance on Budget Phone's platform can purchase additional blocks of time, in the form of Budget Phone pre-paid calling cards, from an authorized Budget Phone agent.

(N)

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I. In order to be eligible for this plan, Budget Phone reserves the right to verify that the customer meets the eligibility requirements. Customers who do not or no longer meet the eligibility requirements will not be eligible for this plan.

J. Budget Phone reserves the right to exclude certain terminating telephone numbers from this plan.

3.1.6 Lifeline

1. Applicability:
 - a. Lifeline discounts are applicable to local exchange services provided to eligible residential Applicants.
2. Territory:
 - a. Within the base rate areas of all BellSouth, Sprint, and Verizon exchanges as shown and defined in the Incumbent LEC's current and effective Tariffs on file with the Commission.
3. Discounts:
 - a. Lifeline is provided as a reduction of the subscriber's access line rate for local service in amounts equal to the sum of the state and/or federal approved and supported credits.
4. Terms and Conditions:
 - a. Lifeline is provided only to the customer's principle residence
 - b. One low-income credit is available per household and applicable to the primary residential connection only. The named subscriber must be a current recipient of any of the low-income assistance programs identified in 5 following.
 - c. Proof of eligibility in any of the qualifying low-income assistance programs should be provided to the Company at the time of application for service. The Lifeline credit will not be established until the Company has received proof of eligibility.
 - d. When, for any reason, a customer is determined to be ineligible the Company will contact the customer. If the customer cannot provide eligibility documentation, the Lifeline account will be disconnected.

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(N)

HOME PHONE SERVICE RATE PLANS
RESIDENTIAL

UNLIMITED LONG DISTANCE



- No contracts
- No deposits
- No credit checks

PREPAID RATE PLANS	BONUS \$39.95 plus taxes and fees	DELUXE \$49.95 plus taxes and fees
LONG DISTANCE*	500* minutes	UNLIMITED
LOCAL CALLING	UNLIMITED	UNLIMITED
Call Waiting	FREE	FREE
Caller ID	FREE	FREE
Call Return	FREE	FREE
Call Forwarding	FREE	FREE
Three-Way Calling	FREE	FREE

Activation fee may apply. Features & packages offered may vary by market.
*Customer acknowledges and agrees that the unlimited long distance is for residential voice telephone service within the continental United States only and excludes chat room, telemarketing, commercial, taxable (commercial), resale, internet, automated dialing, 900 numbers, special interest lines and any other non-residential use. Use by Customer of more than 2000 long distance minutes per month shall be considered to be other than residential use and shall be a prohibited use. (Prohibited Use 1) Budget Phone has the right to terminate or to suspend service without notice. If any prohibited use is discovered, this product is subject to the terms and conditions of the Customer Contract between Budget Phone and Customer. Free long distance minutes on \$29.95 and \$39.95 plans includes 250 minutes per month for the first 2 months. Minutes in excess of 250 may not be used within a single month. Long Distance value is based on 1.9¢ per minute with a 2¢ surcharge.

Budget Phone INC.
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www.budgetphone.com

Agent:

T1-0505

HOME PHONE SERVICE RATE PLANS
RESIDENTIAL

UNLIMITED LONG DISTANCE



- No contracts
- No deposits
- No credit checks

PREPAID RATE PLANS	BASIC \$39.95 plus taxes and fees	DELUXE \$59.95 plus taxes and fees
LONG DISTANCE*	500* minutes	UNLIMITED
LOCAL CALLING	UNLIMITED	UNLIMITED
Call Waiting	\$5	\$5
Caller ID	\$10	\$10
Call Return	\$8	\$8
Call Forwarding	\$5	\$5
Three-Way Calling	\$5	\$5

Activation fee may apply. Features & packages offered may vary by market.
*Customer acknowledges and agrees that the unlimited long distance is for residential voice telephone service within the continental United States only and excludes chat room, telemarketing, commercial, taxable (commercial), resale, internet, automated dialing, 900 numbers, special interest lines and any other non-residential use. Use by Customer of more than 2000 long distance minutes per month shall be considered to be other than residential use and shall be a prohibited use. (Prohibited Use 1) Budget Phone has the right to terminate or to suspend service without notice. If any prohibited use is discovered, this product is subject to the terms and conditions of the Customer Contract between Budget Phone and Customer. Free long distance minutes on \$39.95 and \$59.95 plans includes 250 minutes per month for the first 2 months. Minutes in excess of 250 may not be used within a single month. Long Distance value is based on 1.9¢ per minute with a 2¢ surcharge.

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Agent:

T4-0505

HOME PHONE SERVICE

NOW OFFERING

UNLIMITED LONG DISTANCE & UNLIMITED LOCAL CALLING

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