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October 21, 2014

VIA E-MAIL DON@UCAN.ORG

UCAN
Attn. Donald Kelly
3405 Kenyon Street, Suite 401
San Diego, CA 92110
(619) 610-9001

Re: UCAN - TelePacific Data Request #1

Dear Mr. Kelly:

Pursuant to Rule 10.1 of the Commission's Rules of Practice and Procedure, U.S. TelePacific Corp. ("TelePacific") submits these responses to the first set of data requests (UCAN – TelePacific Data Request #1, Subject: Toll Fraud Calls) by the Utility Consumers' Action Network ("UCAN"), dated October 10, 2014. TelePacific's responses to these data requests are subject to the General Objections and Reservations set forth below, which are hereby incorporated by reference into each response below.

GENERAL OBJECTIONS

1. TelePacific objects to these data requests to the extent they seek information that is neither relevant nor material to any claims or defenses in this action, nor reasonably calculated to lead to the discovery of admissible evidence in this proceeding.
2. TelePacific objects to these data requests to the extent they purport to apply to: (a) any person or entity that is not subject to the jurisdiction of the Commission or that does not conduct regulated operations in the State of California; or (b) services that are not subject to the jurisdiction of the Commission, on the grounds that such request is improper, overly broad, or unduly burdensome, and is not reasonably calculated to lead to the discovery of admissible evidence.
3. TelePacific objects to these data requests to the extent they seek information protected from discovery by any applicable privilege, protection, immunity or other exemption from discovery under the California or United States Constitutions, statutes or case law, including,

without limitation, the attorney-client privilege, attorney work-product doctrine, right of privacy, trade secret protection, confidential information protection, or other exemption from discovery.

4. TelePacific objects to these data requests to the extent they are overbroad, unreasonably duplicative of other data requests, or beyond the scope of permissible discovery.
5. TelePacific objects to these data requests to the extent they call for information that is equally or reasonably available to UCAN without undue burden.
6. TelePacific objects to the continuing nature of these data requests.
7. TelePacific objects to these requests to the extent they purport to impose requirements or burdens beyond the production of information and documents.

RESERVATIONS

1. The fact that any response is given to a particular data request should not be taken as an admission or other concession that the substance of the data request is properly within the scope of this proceeding or permissible discovery or inquiry.
2. Neither TelePacific's responding to a particular data request nor TelePacific's response should be taken as an admission, waiver or other concession as to any matter of law, including, without limitation, the extent of the Commission's jurisdiction or authority over any matter being investigated or considered in this proceeding.
3. TelePacific's investigation and discovery of the matters relating to this proceeding are continuing. The responses and objections herein are based upon information and documents presently known to, and in the possession of, TelePacific. TelePacific reserves the right to rely on any documents or other evidence that may develop or subsequently come to its attention, to assert additional objections or supplemental responses should TelePacific discover that there is information or grounds for objections, and to supplement or amend these responses at any time.
4. Nothing contained in these responses is intended to be or should be considered a waiver of the attorney-client privilege, attorney work-product doctrine, or other applicable privilege, immunity, the right of privacy or other exemption from discovery. TelePacific specifically reserves the right to assert privileges for any privileged or otherwise protected information that is disclosed inadvertently in response to these data requests.

RESPONSES

- 1. In clarifying TelePacific's answer in Paragraph 49, does TelePacific warrant that all of their customers receive "24 hour toll fraud protection" or are there sub classes customers of TelePacific who do not receive this protection?**

Response:

TelePacific objects to this request on the grounds that it is a compound question. However, in the interest of advancing the efficient resolution of this matter, TelePacific is providing answers to the two questions asked in this request.

In response to the first question ("does TelePacific warrant that all of their customers receive "24 hour toll fraud protection"?), TelePacific states that it does not provide any "warranty" to its customers regarding 24-hour toll fraud protection. No warranty is provided to TelePacific's customers, except as set forth in the Terms and Conditions of service.

With regard to the second question (are there sub classes [sic] customers of TelePacific who do not receive this protection?), TelePacific responds as follows: All TelePacific's customers are subject to the same Terms and Conditions of service.

- 2. How does TelePacific define the term "toll fraud"?**

Response:

TelePacific defines "toll fraud" as the unauthorized use of a customers' telephone system to place phone calls for which the customer is charged .

- 3. How Does TelePacific define the term "toll fraud protection"?**

Response:

TelePacific defines "toll fraud protection" as a two-fold approach to prevent fraud by (1) offering to accommodate customer's dialing restrictions, and (2) monitoring network traffic for toll fraud abuse through its Fraud Management System (FMS).

The first approach may be described in summary fashion as follows: TelePacific provides information to its customers regarding best practices to program their Private Branch Exchange system ("PBX") to prevent fraud. TelePacific's Fraud Guidelines also include a recommendation that the customer block international calls directly from their PBX. In addition, TelePacific offers to block completion of international calls at the TelePacific switch in order to prevent the unauthorized use of the customer's PBX.

The second approach may be described in summary fashion as follows: TelePacific's FMS monitors network traffic for unusual calling patterns to detect toll fraud abuse. The FMS includes two features that allows fraud personnel to detect and stop fraud abuse. First, through the threshold setting feature, fraud personnel enters specific destinations such as certain countries and hot numbers into a database. Calls (including uncompleted calls) made to these countries or hot numbers will trigger alarms for manual analysis to be performed by Fraud personnel. Second, the system employs recorded usage to determine the usual and customary usage by the customer at issue which permits TelePacific to detect unusual calling. If the system detects unusual calling patterns (including calls that are not completed) it alerts TelePacific Fraud personnel who perform a manual analysis. If the manual analysis confirms the detection of suspicious call patterns, the Fraud personnel will contact the customers to alert the customer to the suspicious usage and seek to validate it. TelePacific will also provide the customer with a list of highly targeted countries to prevent further suspicious calls.

4. How does TelePacific define the term "24 hour toll fraud protection"?

Response:

TelePacific defines "24 hour toll fraud protection" as TelePacific's 24-hour fraud process described in Question 3. The Fraud Department is open Monday through Friday during regular business hours, and the Network Operation Center ("NOC") handles all incoming alarms during off hours (Monday to Friday), weekends, and holidays. If an alarm is triggered after hours, the NOC personnel will perform an analysis on the suspect calls in the FMS and may block some or all international calling from the affected phone system until FMS personnel are able to confer with customer during normal business hours. If the calls causing the alarms are not completed and system is blocked overnight (in response to the alarm), the customer will obviously not be billed for any calls.

5. Were TelePacific's definitions for questions 1, 2 and 3 above, regarding what 24 hour toll fraud protection means conveyed to its customers?

Response:

TelePacific's policy is to direct sales representatives to summarize the information described in Question 4 to customers. Moreover, much of the information described in answer to Question 3 is provided with the Terms and Conditions or in ancillary written material. (see Exhibit B to complaint.) None of that printed material, however, employs the terms "24-Hour Toll Fraud Protection."

5.a. If so, how.

Response:

Sales representatives are directed to provide the information described in Question 4 to customers. In addition, TelePacific provides the attached materials to potential customers (see Attachment A "Voice Network Datasheet," Attachment B "OnePack Trunk/PRI Bundle Datasheet," and Attachment C "OnePac Office Datasheet"). These materials have been distributed electronically to customers since 2012, and TelePacific no longer employs printed copies of these materials. None of that printed material, however, employs the terms "24-Hour Toll Fraud Protection."

5.b. If so what materials, if any, were used to convey the definition of the term 24 hour toll fraud protection? If these materials exist, please provide those materials.

Response:

Please see response to Question 5.a. and Attachments A-C.

6. Are the customers of TelePacific who "as always" are provided with "24 hour toll fraud protection", provided this protection regardless of the type of telephone, voice and/or data service they contract with TelePacific to receive?

Response:

TelePacific provides toll fraud protection to its customers of voice or Voice over Internet-Protocol ("VoIP") services. By definition, data service is not vulnerable to "toll" fraud and, in any event, these services are flat-rated.

a. If there are some customers who purchase services that do not receive 24 hour toll fraud protection, please explain what services of TelePacific do not receive 24 hour toll fraud protection and why.

Response:

Please see response to Question 6 above.

7. If TelePacific has reason to believe a customer is or has been victimized from toll fraud, what will TelePacific do for that customer? (In other words, what service does TelePacific provide when they say that their customers receive "24 hour toll fraud protection?")

Response:

Please see response to Questions 3 and 4.

8. How did TelePacific define the term “24 hour toll fraud protection” to the customers?

Response:

Please see responses to Questions 4 and 5.

8.a. How many different pamphlets, documents, or writings (either electronic or hard copy) were produced for customers containing the term “24 hour toll fraud protection”?

Please see responses to Questions 5.a. and 15. None of the materials provided as Attachments A-C contain the term “24-hour toll fraud protection.”

8.b. How many different pamphlets, documents or writings (either electronic or hard copy) contain a description of what “24 hour toll fraud protection” means?

TelePacific objects to this question because it is vague; no time period is specified. Without waiving that objection TelePacific responds as follows:

Please see responses to Questions 5.a. and 15. Neither the document “TelePacific Brochure” nor the materials provided as Attachments A-C contain a description of the term “24-hour toll fraud protection.”

9. How were TelePacific’s agents or employees instructed to respond to inquiries about the meaning of the term “24 hour toll fraud protection”?

Please see response to Question 5.

10. When did TelePacific start offering the service of 24 hour toll fraud protection to their customers?

Response:

The only services that TelePacific offers are those described in the Terms and Conditions. TelePacific does not offer 24-hour toll fraud protection as a discrete service. Instead, this is a feature of TelePacific’s voice and VoIP services.

TelePacific installed its Beck Fraud Management System in 2002. However, TelePacific did not begin identifying and manually tracking toll fraud until early 2010

11. Starting with the date of inception of TelePacific’s 24 hour toll fraud protection service, how many customers has TelePacific determined were victimized by toll fraud for calls placed through a customer’s equipment?

Response:

Subject to the limitations outlined in the response to Question 10, the following are TelePacific's best estimates of the number of instances in which the process described in the Response to Questions 3 and 4 (or a similar process) identified suspicious calling patterns from customer equipment since 2010:

Year	Total Customers/Toll Fraud on Customer's Equipment
2014*	798
2013	975
2012	516
2011	365
2010	301
Total	2955

* Year to Date

TelePacific personnel records toll fraud instances manually and has done their best to remove duplicate information. However, the totals disclosed above are only best estimates and not exact figures.

12. In how many of those instances did TelePacific determine that the toll fraud resulted from the customer's phone system security being breached?

Response:

Since it started tracking suspicious calling patterns in early 2010, TelePacific has not been able to identify any occasion of suspicious calling patterns that did not involve some unauthorized breach of the customer's equipment.

13. How many customers has TelePacific determined were victimized by toll frauds who were subsequently billed by TelePacific for the fraudulent calls placed?

Response:

Subject to the limitations outlined in the response to Question 10, the following are TelePacific's best estimates on the number of instances since 2010 in which toll fraud was identified on a customer's equipment and the customers was subsequently billed for the calls:

Year	Total Customers/ Toll Fraud on CPE	Total Customers Billed	Percentage Customers Billed
2014*	798	235	29%
2013	975	393	40%
2012	516	129	25%
2011	365	156	43%
2010	301	163	54%
Total	2955	1076	36%

* Year to Date

Pursuant to its Terms and Conditions of service, TelePacific bills monthly recurring charges in advance and usage charges after the usage occurs, even if toll fraud has been detected. If the calls causing the alarms described in answers to Questions 3 and 4 are not completed and system is blocked overnight (in response to the alarm), the customer will obviously not be billed for any calls. As the table above shows, in most cases (64 percent) TelePacific has blocked calls before any usage was incurred and subsequently billed. The table also shows that TelePacific’s fraud system process has improved over time (compare the year 2010 with other years, and in particular, with the year-to-date 2014). While TelePacific bills for completed calls, TelePacific provides courtesy credits to customers who are first-time victims of fraud. Lasercare and Colony West were beneficiaries of these credits.

Finally, as indicated in the response to Question 11, TelePacific personnel records toll fraud instances manually and has done their best to remove duplicate information. However, the totals disclosed above are only best estimates and not exact figures.

14. When was the document included in the Attachment with this data request titled “TelePacific Brochure” produced?

Assuming Question 14 is restricted to printed copies of the “TelePacific Brochure” document, TelePacific ordered 10,000 copies from its print vendor in 2007.

15. How many copies of the “TelePacific Brochure” were produced?

Assuming Question 15 is restricted to printed copies of the “TelePacific Brochure” document, TelePacific has received approximately 6,900 to 7,000 slicks from its printer. TelePacific ordered 10,000 copies in 2007, but the print vendor kept brochures in stock and made delivers per TelePacific’s request. Approximately 6,900 to 7,000 slicks have been delivered to TelePacific.

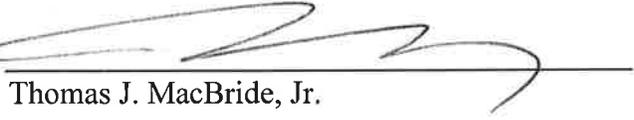
- 16. On page 6 of documents provided by TelePacific (attached and labeled “TelePacific customer documents, (Colony West)”, in a box labeled “Outbound Dialing”- on the second line labeled “Block International Calls?” - there is a box checked which says “no” followed by a note which reads: “International dialing will be blocked unless required.”**
- a. What is TelePacific’s understanding of the meaning of the phrase “International calls will be blocked unless required?”**

Response:

In the document labeled “TelePacific customer documents, (Colony West),” page 6, if the customer checks the box “Yes,” TelePacific will block the completion of international calls at the TelePacific switch. If the customer checks the box “No,” TelePacific will complete international calls from the customers phone system. The phrase “International calls will be blocked unless required” means that if neither box is checked, TelePacific will automatically block the completion of international calls at the TelePacific switch.

Respectfully submitted October 21, 2014 at San Francisco, California.

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By 

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Enclosures

cc: Nancy Lubamersky