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January 21, 1997

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VIA OVERNIGHT MAIL

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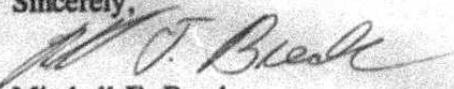
Re: Docket No. 960217-TI Initiation of Show Cause Proceedings Against
Telecuba, Inc. for Violation of Rule 25-24.470, Certificate of Public
Convenience and Necessity Required

ACK _____ To whom it may concern:

- AFA _____
- APP 1
- CAF _____
- CMU (circled)
- CTR _____
- EAG _____
- LEG 1
- LIN 3 + ref
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

Pursuant to the Commission's Order Establishing Procedure issued January 9, 1997 in the above-captioned proceeding (Order No. PSC-07-0047-PCO-TI), transmitted herewith on behalf of Telecuba, Inc. are an original and fifteen copies of the pre-filed testimony of its president, Mr. Luis Coello. Please date stamp as received the extra copy of this letter and return to this office in the enclosed self-addressed stamped envelope.

If there are any questions regarding this testimony, please communicate directly with undersigned counsel for Telecuba.

Sincerely,

Mitchell F. Brecher
Counsel for Telecuba, Inc.

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cc: Will Cox, Esq.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

1
2 In Re: Initiation of show cause) DOCKET NO. 960217-TI
3 proceedings against Telecuba, Inc.)
4 for violation of Rule 25-24.470,)
5 F.A.C. Certificate of Public)
6 Convenience and Necessity Required)
7)
8)

TESTIMONY OF LUIS COELLO

9
10 1. Q. Please state your name, position, and business address.

11 A. My name is Luis Coello. I am President and sole shareholder
12 of Telecuba, Inc. My business address is 444 Brickell Avenue,
13 Suite 820, Miami, Florida 33131.

14 2. Q. Do you hold any other positions?

15 A. Yes. I am President and the sole shareholder of World
16 Long Distance, Inc. That company also is located at 444 Brickell
17 Avenue, Suite 820, Miami, Florida.

18 3. Q. How long have you held those positions?

19 A. I have been president of Telecuba since its formation in
20 1995. I have been president of World Long Distance since its
21 formation in 1996.

22 4. Q. What is the primary business of Telecuba?

23 A. Telecuba is a marketer and distributor of prepaid calling
24 cards. These cards may be purchased by consumers at various
25 locations, primarily retail stores, and may be used to make
26 domestic and international long distance telephone calls.

27 5. Q. Where are Telecuba prepaid calling cards sold?

28 A. Telecuba cards are sold at locations throughout the Miami,
29 Florida metropolitan area, primarily at businesses (e.g.,
30 convenience stores, grocery stores) in the Cuban-American community

31 of Miami.

32 6. Q. Does Telecuba provide telecommunications services?

33 A. No. Telecuba markets prepaid calling cards but does not
34 provide telecommunications services itself. Rather, Telecuba cards
35 may be used to place long distance calls using the services of
36 regulated telecommunications carriers. Those carriers are
37 identified on Telecuba cards as being the providers of
38 telecommunications service accessed through use of Telecuba cards.
39 Telecuba does not hold itself out to be a provider of
40 telecommunications services, and never has done so. Telecuba
41 distributes a product -- prepaid calling cards -- which are sold
42 through retail establishments. In this regard, it performs the
43 same function as other retailers who sell or distribute prepaid
44 calling cards (e.g., Eckerd's Drug Stores and Target Department
45 Stores).

46 7. Q. Who determines the rates for telecommunications services
47 purchased using Telecuba cards.

48 A. The underlying telecommunications carrier sets the rates
49 and decrements the calling cards according to their rates for all
50 calls which it completes that are paid for through Telecuba prepaid
51 calling cards. Telecuba sells or distributes the cards, through
52 retail establishments or other agents, to end users at retail
53 prices which are imprinted on the cards.

54 8. Q. What telecommunications carrier(s) services are used when
55 calls are made by use of Telecuba prepaid calling cards?

56 A. At the present time, only one telecommunications common

57 carrier provides service when Telecuba cards are used. That
58 carrier is World Long Distance, Inc.

59 9. Q. Has World Long Distance always been the telecommunications
60 carrier whose services have been used for calls paid for by use of
61 Telecuba prepaid calling cards?

62 A. No. From April 1995 until December 1995, Telecuba prepaid
63 calling cards enabled callers to access the services of another
64 telecommunications common carrier, World Access Communications.

65 10. Q. Why is World Access service no longer used for provision
66 of telecommunications service paid for by Telecuba prepaid calling
67 cards?

68 A. In December 1995, World Access discontinued completing
69 calls initiated by callers using Telecuba cards.

70 11. Q. Why did World Access discontinue service?

71 A. A dispute arose between Telecuba and World Access
72 Communications as to sums of money allegedly owed by Telecuba to
73 World Access. That dispute is the subject of pending litigation in
74 the Circuit Court of the 11th Judicial Circuit in and for Dade
75 County, Florida. Because of that pending litigation, I do not wish
76 to comment further on the particulars of the dispute.

77 12. Q. Did Telecuba purchase and resell service of World Access
78 Communications?

79 A. No. Telecuba never purchased service (i.e. usage) from
80 World Long Distance. It did not purchase minutes of use. It did
81 purchase from World Access authorization codes which it then had
82 imprinted on Telecuba cards. Those cards could then be used by

83 card holders to place calls using World Access service.

84 13. Q. Did Telecuba receive invoices from World Access for
85 services rendered to it?

86 A. No. As I stated earlier in my testimony, Telecuba did not
87 purchase telecommunications service from World Access. Thus, there
88 was not service provided by World Access to render invoices to
89 Telecuba. Telecuba did purchase authorization codes from World
90 Access. From time to time, World Access would contact Telecuba and
91 orally demand payment for those authorization codes. World Access
92 never provided to Telecuba any indication of the number of codes
93 for which payment was being demanded. Neither did those demanded
94 payments appear to be connected to measured usage of the World
95 Access network by holders of Telecuba prepaid calling cards.

96 14. Q. How do callers place telephone calls using Telecuba cards?

97 A. The caller dials a 800 number printed on the card. The
98 caller then hears an announcement identifying the carrier (World
99 Access until December 1995, and now, World Long Distance). Upon
100 hearing the prompt, the caller then dials the called telephone
101 number, followed by an authorization code imprinted on the calling
102 card. The call is then completed and the calling card is
103 decremented by the telecommunications carrier (i.e., initially
104 World Access, now World Long Distance) as the call progresses.
105 Shortly before the card has been fully decremented, the caller
106 hears an announcement provided by the carrier indicating that there
107 is only one minute remaining on the card.

108 15. Q. Is customer service available to the caller?

109 A. Yes.

110 16. Q. Who provides that customer service?

111 A. The carrier resolves customer service matters. Until
112 December 1995, World Access provided customer service. Now World
113 Long Distance provides customer service, six days per week.

114 17. Q. Why does not Telecuba provide its own customer service?

115 A. As I indicated above, Telecuba is not a provider of
116 telecommunications service. It is a marketer and distributor of
117 calling cards which enable card holders to utilize a
118 telecommunications carrier's service. The carrier, not the calling
119 card distributor, is responsible for provision of service (i.e.,
120 completion of calls, operator assistance, issuance of credits,
121 etc.), and is responsible for provision of customer service.

122 18. Q. What kinds of telephone calls can be made through use of
123 Telecuba calling cards?

124 A. Telecuba cards may be used to place long distance calls.
125 The largest portion of calls paid for by use of Telecuba cards are
126 international calls, primarily to Cuba and to other Central
127 American and South American countries. Most purchasers of Telecuba
128 cards are Cuban immigrants. Often those persons have no
129 residential telephone service, and if they do have residential
130 service, often toll service is restricted. They use prepaid
131 calling cards to call relatives and friends in Cuba and other
132 countries. Because Telecuba's target market is predominantly
133 Spanish-speaking, the usage instructions on the back of Telecuba

134 cards are printed in Spanish.

135 19. Q. Can Telecuba cards be used for placement of domestic
136 calls?

137 A. Yes. The cards may be used to place interstate calls and
138 intrastate calls.

139 20. Q. Is Telecuba's carrier authorized to provide interstate and
140 foreign services?

141 A. World Long Distance, the only carrier providing service
142 accessed via Telecuba calling cards, is authorized by the Federal
143 Communications Commission pursuant to Section 214 of the
144 Communications Act to provide interstate and international service.
145 In addition, World Long Distance has on file with the FCC and in
146 effect tariffs containing its domestic interstate and international
147 service rates.

148 21. Q. Is Telecuba's carrier authorized to provide intrastate
149 service?

150 A. Intrastate usage constitutes a very minor portion of the
151 service provided by World Long Distance to Telecuba card holders.
152 Nonetheless, it is important that holders of Telecuba cards have
153 the ability to place intrastate calls. For example, Telecuba cards
154 are occasionally purchased by parents who give the cards to their
155 children who are students at colleges in Florida so that the
156 students can call home. Therefore, I, as president of World Long
157 Distance, had an application for a certificate of public
158 convenience and necessity and accompanying tariff filed with the
159 Public Service Commission on March 6, 1996. Although that

160 application was assigned Docket No. 960295-TI, it has not been
161 granted.

162 22. Q. Does Telecuba offer, advertise, or otherwise promote the
163 availability of intrastate service using Telecuba calling cards?

164 A. No. Until such time as World Long Distance becomes
165 authorized to provide intrastate service, Telecuba has not, and
166 will not, offer, advertise or promote the use of Telecuba cards for
167 intrastate call completion. At this time, intrastate calling is an
168 incidental portion of total World Long Distance service using
169 Telecuba cards. In fact, according to a recent sample of World
170 Long Distance traffic, intrastate calling constitutes less than
171 five percent of total traffic.

172 23. Q. Has Telecuba ever sold prepaid calling cards which could
173 not be used to acquire telecommunications services?

174 A. Telecuba has never intentionally sold prepaid calling cards
175 which would not work, nor would it ever do so. However, there was
176 a short period following World Access's discontinuance of service
177 to callers who attempted to place calls using Telecuba cards in
178 December 1995 when Telecuba cards could not be used. Telecuba
179 regrets any inconvenience caused by those events and immediately
180 took steps to rectify the situation.

181 24. Q. What steps has Telecuba taken?

182 A. Immediately upon learning that World Access would not
183 honor Telecuba cards, Telecuba notified all vendors of Telecuba
184 cards not to sell Telecuba cards to consumers until further notice.
185 In addition, I immediately directed the Telecuba sales staff to

186 visit locations where Telecuba cards were sold to retrieve all
187 unsold cards from retailers. This ensured that Telecuba cards
188 intended for use with World Access service which could not be used
189 to pay for calls would not be sold to consumers. As a result,
190 Telecuba recalled more than 43,000 calling cards, which prevented
191 those cards from being sold to consumers. Telecuba also attempted
192 to resolve its differences expeditiously with World Access and to
193 arrange for World Access to reinstitute service. When that was
194 unsuccessful, in December 1995, I notified the Public Service
195 Commission in an effort to have the PSC intercede in order to have
196 service reestablished. When those efforts failed, I established
197 World Long Distance as a telecommunications carrier, and Telecuba
198 began to issue new calling cards identifying World Long Distance as
199 the carrier which would provide service.

200 25. Q. Has Telecuba offered refunds to customers who possessed
201 calling cards which could not be used to place calls?

202 A. Yes. Since World Access discontinued honoring Telecuba
203 calling cards, Telecuba has been attempting -- so far without
204 success -- to obtain call detail records from World Access.
205 Although World Access has been directed by the PSC staff to provide
206 such call detail reports to Telecuba, it has not done so.
207 Nonetheless, Telecuba has proceeded to make refunds without having
208 the necessary call detail information. It has offered refunds and
209 replacement cards to holders of Telecuba cards which World Access
210 would not honor. In the absence of call detail information,
211 Telecuba has chosen to use an "honor system" to compensate holders

212 of Telecuba cards identifying World Access as the carrier. In
213 order to satisfy consumers, Telecuba has been providing replacement
214 cards (i.e. Telecuba prepaid calling cards to be used on the World
215 Long Distance network) to consumers who turn in cards which list
216 World Access as the carrier. Replacement cards are awarded
217 irrespective how much unused time -- if any -- remains on the World
218 Access cards. To date, the amount of refunds and replacement cards
219 provided by Telecuba to consumers is \$12,055. On several
220 occasions, Telecuba has indicated to the PSC that it would be
221 willing to place an announcement in a newspaper of general
222 circulation in the community where Telecuba cards are marketed
223 notifying card holders of the availability of refunds and
224 replacements. Because of the closeness of the community where
225 those cards are distributed, Telecuba does not believe that
226 placement of a newspaper announcement is necessary. However, it is
227 willing to place such an announcement upon request of the PSC
228 staff. In this regard, it will not be necessary for the PSC to
229 order Telecuba to do so. An informal request from the staff will
230 be sufficient.

231 26. Q. Do you believe that Telecuba should be fined by the PSC
232 for operating without a certificate?

233 A. No. I am not a lawyer, but as I indicated earlier in my
234 testimony, Telecuba does not and has not operated as a
235 telecommunications service provider. All services accessed through
236 Telecuba prepaid calling cards have been provided by
237 telecommunications companies. More importantly, Telecuba has done

238 nothing to harm Florida consumers and has already undertaken steps
239 to fully compensate any consumers who have been inconvenienced by
240 the inability to use Telecuba cards to place calls following World
241 Access's discontinuance of service to holders of those cards.
242 While I am reluctant to comment on the status of the pending
243 litigation between Telecuba and World Access, I can state that the
244 dispute between those companies and resulting refusal by World
245 Access to honor Telecuba calling cards identifying World Access as
246 the carrier has caused Telecuba embarrassment and interfered with
247 its prepaid calling card business. As president of Telecuba, I
248 made a decision at the outset of that dispute that no consumer
249 would be harmed, and that every consumer holding Telecuba cards
250 with time remaining on them would be made whole by Telecuba, even
251 if I had to provide compensation out of my own pocket to satisfy
252 our customers. I have fulfilled that commitment. Refunds and
253 replacement cards have been issued. That Telecuba has acted
254 responsibly and placed consumer interests first is borne out by the
255 fact that consumers in south Florida continue to purchase and to
256 use Telecuba calling cards. Since Telecuba began using the
257 services of World Long Distance in early 1996, it has received
258 virtually no complaints regarding its prepaid calling cards or the
259 services purchased through those cards. Neither has it received
260 any consumer complaints from the PSC. For those reasons, I believe
261 that Telecuba has "done the right thing" in promptly moving to fix
262 an unfortunate situation over which Telecuba had no control, and
263 that it should not be fined by the PSC. Of paramount importance,

264 Telecuba has not violated any statute or Commission rule nor has it
265 ever intended to do so.

266 27. Q. Do you believe that Telecuba should be ordered to pay
267 monies to the PSC that have been collected from the sale of prepaid
268 calling cards purchased in the state of Florida which cannot be
269 refunded directly to consumers?

270 A. No. I believe that requiring Telecuba to pay funds to the
271 PSC would be inappropriate and punitive. Implicit in that
272 suggestion is the notion that Telecuba has somehow been unjustly
273 enriched from the sale of prepaid calling cards. This is
274 categorically incorrect. As I explained earlier in my testimony,
275 World Access never quantified the number of authorization codes
276 provided to Telecuba for the amount of money demanded from it. It
277 is possible, indeed probable, that Telecuba paid World Access more
278 than it received from the sale of prepaid calling cards before
279 World Access ceased honoring Telecuba cards. In addition, as I
280 previously indicated in my testimony, I have financed refunds to
281 consumers and provided replacement calling cards out of my own
282 pocket. Finally, it should be remembered that the PSC became aware
283 of the dispute between Telecuba and World Access and the resulting
284 interference with use of Telecuba cards when I voluntarily brought
285 those circumstances to the attention of the PSC staff in December
286 1995. Thus rather than evading the authority of the PSC and
287 necessitating expenditure of PSC resources to investigate these
288 circumstances, Telecuba has done all in its power to cooperate with
289 the PSC, to resolve the dispute with World Access, and to ensure

290 continuation of service to consumers. Based upon all of these
291 circumstances, I do not believe that Telecuba should be required to
292 make additional payments to the PSC.

293 28. Q. Do you believe that the PSC should continue to defer
294 action on World Long Distance's pending application for authority
295 to provide intrastate service?

296 A. No. Again, I am not a lawyer and it is not appropriate
297 for me to comment on any legal issues surrounding that application.
298 I can state that I created World Long Distance as a
299 telecommunications company to ensure that the company providing
300 service to Telecuba card holders would honor Telecuba cards and to
301 guarantee the public dependable, uninterrupted service without the
302 risk of discontinuance like that which occurred when service was
303 being provided by World Access. Today, World Long Distance is
304 providing interstate and international service to Telecuba card
305 holders and others in full conformance with FCC authorization and
306 tariff requirements. Although Telecuba does not anticipate that
307 intrastate calling will become more than a small portion of service
308 purchased by use of its cards, it is most anxious for its card
309 holders to be able to place intrastate calls using the services of
310 an authorized intrastate provider. For that reason, I have
311 directed my counsel to formally request that the PSC act
312 expeditiously on World Long Distance's application. In that
313 regard, I would be willing to accept an authorization conditioned
314 on the outcome of this proceeding, if such conditional authority is
315 deemed necessary or appropriate by the PSC or its staff.

316

29. Q. Does that conclude your testimony?

317

A. Yes it does.

48623.1/0909

CERTIFICATE OF SERVICE

I, Antoinette R. Mebane, hereby certify that on this 21st day of January 1997, a copy of the foregoing Testimony of Luis Coello was served via overnight mail on:

Will Cox, Esq.
State of Florida
Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850



Antoinette R. Mebane

Dated: January 21, 1997

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Antoinette R. Mebane

Dated: January 21, 1997

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