

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF UNAUTHORIZED  
LONG DISTANCE CHANGES AND  
UNAUTHORIZED TELEPHONE  
CHARGES MADE BY REDUCED RATES  
LONG DISTANCE

MOTION FOR ORDER TO SHOW  
CAUSE

TC07-

Comes now the staff of the South Dakota Public Utilities Commission (Commission), pursuant to SDCL 49-31-89 through SDCL 49-31-97 and ARSD 20:10:35, and moves the Commission to issue an Order to Show Cause, pursuant to 20:10:01:45, in the above-entitled manner. By this Motion, Commission Staff (here in "Staff") requests that the Commission assess up to the maximum civil monetary fine against Reduced Rates Long Distance (here in "Reduced Rates"), suspend or revoke its Certificate of Authority, Order it cease all collection activity on disputed bills, Order it cease representing itself as other telecommunication carriers, and provide a list of all current South Dakota subscribers according to SDCL 49-31-95, along with any other action the Commission sees appropriate. In support of this Motion, staff asserts as follows:

**BACKGROUND**

Late December 2006, the Consumer Affairs Division ("Consumer Affairs") of the Commission received its first complaint against Reduced Rates regarding unauthorized telephone charges and unauthorized long distance changes. The PUC continues to get complaints against Reduced Rates regarding the same issue. The PUC has collected a total of twenty-two Complaints. All Complainants tell one of several fact patterns as the

basis of his or her complaint. Although consumer complaints have specific variables, they generally articulate the following fact pattern:

- 1) The Reduced Rates representative tells the consumer he or she is from the consumer's current provider. The Reduced Rates representative states a billing error occurred and the representative needs to simply ask a few questions to validate that the call was made. If the consumer could please answer 'yes' to all questions that follow, the reimbursement can be promptly made. Reduced Rates argues the third party verification occurred.
- 2) The Reduced Rates sales representative states his company was hired by the consumer's current long distance provider to correct a billing error or other service error. The consumer needed to answer yes to the following questions to validate the call took place and the error can be corrected. Reduced Rates argues the third party verification occurred.
- 3) Finally, the Reduced Rates representative tells the consumer it provides a service that will reduce his or her long distance charges. Simply authorizing this small monthly charge, will allow Reduced Rates to cut the consumer's long distance charges. The representative tells the consumer Reduced Rates works along with the customer's current provider. One consumer asked for additional information through the mail. Instead of information, he received a bill. Other consumers authorize the service Reduced Rates could not and did not intend to provide. Reduced Rates does not work with the current provider. The

consumer did not, authorize a change in long distance carriers, nor did they authorize an additional phone bill charge that does nothing more than increase their required payment.

As a result of the above misrepresentation, the consumers at issue all agreed to participate in the verification. They answered 'yes' to the questions as instructed. The consumer was then surprised with a bill from Reduced Rates. In some cases the consumer had a block on his or her long distance. Reduced Rates could not, therefore, change the carrier. Such a block did stop Reduced Rates from billing the consumer. Despite its inability to change the consumer's carrier, it proceeded to bill the consumer a monthly amount for an unknown product not received by the consumer. The consumer neither authorized the charge nor received a service. In other cases, Reduced Rates changes the consumers' long distance carrier to Reduced Rates.

Although Reduced Rates has not yet produced all third party verifications that it argues do exist, it relies on them completely to justify its behavior and claim innocence. Staff argues the third party verifications are meaningless due to the misleading conversation the Reduced Rates representative initiated with all complaining consumers. Additionally, Reduced Rates potentially affected the reputation or otherwise damaged various telecommunication companies through its representatives' impersonation of such companies.

Staff now seeks the Commission's assistance to both locate any South Dakota consumer unaware of the Reduced Rates charges on his or her bill, to punish this company for its behavior if the Commission finds it guilty and to prevent future consumers from falling victim to this company's tactics.

## ARGUMENT IN SUPPORT OF MOTION

1. The Commission has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-89 through 49-31-97 and ARSD Chapter 20:10:34.
2. Pursuant to 20:10:01:45, this Motion has been served by certified mail upon Reduced Rates' Registered Agent at National Registered Agents, Inc. , 300 South Phillips Ave – Suite 300, Sioux Falls, SD. Additionally, Commission Staff served this Motion via E-mail on Reduced Rates known lawyer, Adam Solomon at [adam@lfirm.com](mailto:adam@lfirm.com) and further on Reduced Rates Long Distance at PO Box 4309, Winter Park, Florida, 32793. The purpose of this service is to give notice of the facts and conduct which warrant staff's request that the Commission issue up to the maximum civil monetary fine against Reduced Rates, suspend or revoke its Certificate of Service, Order it cease all collection activity on disputed bills, Order it cease representing itself as other telecommunication carriers, and provide a list of all current South Dakota subscribers along with any other action the Commission sees appropriate.

It is staff's position that Reduced Rates is guilty of the following:


- a) Changing the telecommunications company of a subscriber without the subscribers authorization according to SDCL 49-31-89;
- b) Listing an unauthorized produce or service on the subscriber's bill without authorization according to SCL 49-31-89;
- c) Administrative Rules 20:10:34:06 when it made false and misleading and deceptive information to obtain the subscriber's oral order for a change in telecommunication services; and,

- d) Administrative Rule 20:10:34:09 when Reduced Rates failed to clearly describe the services it claimed it was providing to several complaining consumers.

Pursuant to 20:10:01:45, an Affidavit from Deb Gregg, Consumer Affairs Manager of the Commission is attached and will be served, as previously described, on Reduced Rates. Consistent with the allegations in this Affidavit, staff requests the Commission serve notice that the following issues will be heard by the Commission:

1. Whether Reduced Rates violated the above statutes and rules; and,
2. What penalties, if any shall be imposed if Reduced Rates is found guilty of such violations.

Signed and dated this 4<sup>th</sup> day of October, 2007

  
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