

Stephen F. Mecham (4089)
Callister Nebeker & McCullough
10 East South Temple, Suite 900
Salt Lake City, Utah 84133
Telephone: 801 530-7300
Fax: 801 364-9127
Email: sfmecham@cnmlaw.com

Attorneys for the Utah Rural Telecom Association

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Virgin Mobile USA, L.P. Petition for Limited Designation as an Eligible Telecommunications Carrier	Docket No. 10-2521-01
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DIRECT TESTIMONY OF
DOUGLAS MEREDITH
ON BEHALF OF THE
UTAH RURAL TELECOM ASSOCIATION

1 **Q: PLEASE STATE YOUR FULL NAME, PLACE OF EMPLOYMENT AND**
2 **POSITION.**

3 A: My full name is Douglas Duncan Meredith. I am employed by John Staurulakis, Inc.
4 (“JSI”) as Director – Economics and Policy. JSI is a telecommunications consulting firm
5 headquartered in Greenbelt Maryland. My office is located at 547 Oakview Lane,
6 Bountiful, Utah 84010. JSI has provided telecommunications consulting services to rural
7 local exchange carriers since 1963.

8 **Q: PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**
9 **EDUCATIONAL BACKGROUND.**

10 A: As the Director of Economics and Policy at JSI, I assist clients with the development
11 of policy pertaining to economics, pricing and regulatory affairs. I have been
12 employed by JSI since 1995. Prior to my work at JSI, I was an independent research
13 economist in the District of Columbia and a graduate student at the University of
14 Maryland – College Park.

15
16 In my employment at JSI, I have participated in numerous proceedings for rural and
17 non-rural telephone companies. These activities include, but are not limited to, the
18 creation of forward-looking economic cost studies, the development of policy
19 related to the application of the rural safeguards for qualified local exchange
20 carriers, the determination of Eligible Telecommunications Carriers, and the
21 sustainability and application of universal service policy for telecommunications
22 carriers.

23

24 In addition to assisting telecommunications carrier clients, I have served as the
25 economic advisor for the Telecommunications Regulatory Board of Puerto Rico
26 since 1997. In this capacity, I provide economic and policy advice to the Board
27 Commissioners on all telecommunications issues that have either a financial or
28 economic impact. I have participated in a number of Arbitration panels established
29 by the Board to arbitrate interconnection issues under Section 252 of the
30 Telecommunications Act of 1996 (the "Act").

31
32 I am participating or have participated in numerous national incumbent local
33 exchange carrier and telecommunications groups, including those headed by NTCA,
34 OPASTCO, USTA, and the Rural Policy Research Institute. My participation in
35 these groups focuses on the development of policy recommendations for advancing
36 universal service and telecommunications capabilities in rural communities and
37 other policy matters.

38
39 I have testified or filed pre-filed regulatory testimony in various states including
40 Utah, South Carolina, New Hampshire, New York, Michigan, Wisconsin, North
41 Dakota, South Dakota, Vermont, Texas, Kentucky, Maine and Tennessee. I have
42 also participated in regulatory proceedings in many other states that did not require
43 formal testimony, including Florida, Louisiana, Mississippi, North Carolina, Puerto
44 Rico and Virginia. In addition to participation in state regulatory proceedings, I
45 have participated in federal regulatory proceedings through filing of formal

46 comments in various proceedings and submission of economic reports in an
47 enforcement proceeding.

48
49 I have a Bachelor of Arts degree in economics from the University of Utah, and a
50 Masters degree in economics from the University of Maryland – College Park.
51 While attending the University of Maryland – College Park, I was also a Ph.D.
52 candidate in Economics. This means that I completed all coursework,
53 comprehensive and field examinations for a Doctorate of Economics without
54 completing my dissertation.

55 **Q: ON WHOSE BEHALF ARE YOU TESTIFYING?**

56 A: I am testifying in this docket on behalf of the Utah Rural Telecom Association
57 (“URTA”). URTA is comprised of fourteen independent telephone companies
58 serving customers throughout rural Utah.

59 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

60 A: My purpose in providing this testimony to the Public Service Commission of Utah
61 (“Commission”) is to respond to Ms. Elaine Divelbliss’s direct testimony filed on
62 behalf of Virgin Mobile USA, L.P. (“Virgin Mobile”) in this proceeding in which
63 Virgin Mobile is seeking designation as an eligible telecommunications carrier
64 (“ETC”). I make specific policy recommendations and urge the Commission to
65 adopt my recommendations in this proceeding.

66 **Q: ARE URTA’S CONCERNS SIMILAR TO THE CONCERNS IT EXPRESSED**
67 **IN THE TRACFONE WIRELESS PROCEEDING?**

68 A: Yes, but they are not identical to the ones expressed in the TracFone case.

69 **Q. HOW ARE THEY DIFFERENT?**

70 A. First, Virgin Mobile has made it clear in the pre-filed direct testimony of Ms.
71 Divelbliss that it does not intend to ask for any support from the state universal
72 service fund so that is not a concern in this proceeding. (Virgin Mobile Direct
73 Testimony at p. 4, lines 8 and 9.)

74 **Q. DOES THAT MEAN VIRGIN MOBILE WILL HAVE TO FILE A**
75 **SEPARATE APPLICATION IF IT CHANGES ITS POSITION AND SEEKS**
76 **SUPPORT FROM THE STATE UNIVERSAL SERVICE FUND?**

77 A. Yes. That is my understanding of what Virgin Mobile will have to do.

78 **Q: WHAT OTHER DIFFERENCES EXIST BETWEEN THIS PROCEEDING**
79 **AND THE TRACFONE CASE?**

80 A: Unlike TracFone, Ms. Divelbliss states that Virgin Mobile will collect the surcharge
81 for the 911 program. (Virgin Mobile Direct Testimony at p. 3, line 3-5.)

82 **Q: DOES VIRGIN MOBILE INTEND TO COLLECT THE FEES AND**
83 **SURCHARGES FOR THE OTHER PUBLIC INTEREST PROGRAMS SUCH**
84 **AS POISON CONTROL, THE HEARING IMPAIRED FUND AND THE**
85 **STATE UNIVERSAL SERVICE FUND?**

86 A: That's not clear in the testimony. Ms. Divelbliss states that "Virgin Mobile's
87 Lifeline service plan includes all applicable taxes and fees." (Virgin Mobile Direct
88 Testimony at p. 6, line 11.) That could mean Virgin Mobile intends to impose and
89 remit the surcharges for these public interest programs, but it may not. At minimum,
90 the Commission should identify all applicable taxes and fees required by prepaid
91 wireless providers.

92 **Q: IF VIRGIN MOBILE DOESN'T COLLECT AND REMIT THE FEES AND**
93 **SURCHARGES FOR THESE PUBLIC INTEREST PROGRAMS, IS ITS**
94 **APPLICATION IN THE PUBLIC INTEREST?**

95 A: No.

96 **Q: WHY NOT?**

97 A: First, failure to support the public interest programs is by definition not in the public
98 interest. Second, allowing prepaid wireless providers to forgo collecting and
99 remitting the surcharges for the public interest programs gives them a competitive
100 advantage over the carriers that have to charge their customers for them. That is
101 neither fair nor in the public interest. Third, allowing Virgin Mobile or any other
102 prepaid wireless service provider to provide service and to benefit from the public
103 interest programs without paying for them will erode the revenues required to
104 provide them and harm the programs. That is also not in the public interest.

105 **Q: DID VIRGIN MOBILE ARGUE THAT IT SHOULD NOT BE REQUIRED**
106 **TO COLLECT AND REMIT THE SURCHARGES FOR THESE OTHER**
107 **PUBLIC INTEREST PROGRAMS?**

108 A: No.

109 **Q: DIDN'T THE COMMISSION CONCLUDE IN THE TRACFONE**
110 **PROCEEDING THAT PREPAID WIRELESS PROVIDERS DON'T HAVE**
111 **TO PAY INTO THE STATE UNIVERSAL SERVICE FUND?**

112 A: Yes, but I understand the TracFone order is not a final order and URTA has not had
113 an opportunity to seek reconsideration of the order on this very important public
114 interest policy. Furthermore, in TracFone the Commission took the position that it

115 didn't have the authority to require prepaid wireless companies to pay into the state
116 universal service fund after acknowledging that there may be public policy reasons
117 to do so. (See Commission Order issued September 13, 2010 in Docket No. 09-
118 2511-01 at p. 6.) I submit that if it isn't in the public interest to exempt prepaid
119 wireless providers from contributing to the state program and the Commission
120 believes it cannot compel a prepaid wireless provider from contributing, the
121 Commission should not grant ETC status to a prepaid wireless provider in rural
122 areas of Utah. Granting an application that is contrary to the public interest in rural
123 areas is poor public policy and impermissible under the law.

124 **Q: WHY ARE YOU MAKING A DISTINCTION FOR RURAL AREAS?**

125 A. Rural areas have particular consideration under the Communications Act of 1934, as
126 amended. Section 214(e)(2) requires state commissions to find that granting ETC
127 status in areas served by rural telephone companies is consistent with the public
128 interest, convenience and necessity. A public interest finding is a prerequisite to
129 designating a provider as an ETC in rural Utah.

130 **Q: DIDN'T VIRGIN MOBILE COMMIT NOT TO SEEK FUNDS FROM THE**
131 **STATE UNIVERSAL SERVICE FUND?**

132 A: Yes, and while that is important to URTA, URTA has an additional concern. If
133 Virgin Mobile is successful in taking Lifeline customers from URTA members, the
134 demands on the state USF will increase because URTA members will have
135 unrecovered costs for which the state USF will be responsible. That will affect all
136 customers of every telecommunications service provider in the state. URTA does
137 not believe that is in the public interest.

138 **Q: DID THE FEDERAL-STATE JOINT BOARD ON UNIVERSAL SERVICE**
139 **EXPRESS SIMILAR CONCERNS ABOUT THE EFFECT PREPAID**
140 **WIRELESS PROVIDERS ARE HAVING ON THE FEDERAL UNIVERSAL**
141 **SERVICE FUND?**

142 A. Yes. In a Recommended Decision released November 4, 2010 in CC Docket No.
143 96-45 where the Joint Board studied the Lifeline and Link Up programs, the Board
144 expressed serious concerns about the growth of federal fund, stating, “The most
145 recent statistics for Lifeline funding show rapid Lifeline funding growth from
146 approximately \$1.0 billion in 2009 to a projected \$1.4 billion in 2010. Our concerns
147 include the implications of demand for a service or product that is essentially free.¹”

148 **Q: WHAT DO YOU INFER FROM THE JOINT BOARD’S STATEMENT?**

149 A. That the Joint Board members have misgivings about the free Lifeline program
150 Virgin Mobile, TracFone and others are offering.

151 **Q: DO YOU BELIEVE DESIGNATING VIRGIN MOBILE AN ETC IN URTA**
152 **MEMBERS’ SERVICE TERRITORIES IS IN THE PUBLIC INTEREST?**

153 A. For all of the reasons I stated in this testimony, granting Virgin Mobile ETC status
154 in the rural areas of Utah is not in the public interest if Virgin Mobile is not required
155 to support all of the public interest programs.

156 **Q: WHAT DO YOU RECOMMEND?**

157 I recommend that the Commission not designate Virgin Mobile an ETC unless the
158 Commission can find that doing so is in the public interest. Additionally, if Virgin
159 Mobile does not agree to pay for the operation of public interest programs for which
160 all other providers must charge their customers, its application is not in the public

¹ Order FCC 10J-3 ¶79.

161 interest. To allow prepaid wireless service providers to forgo paying these charges
162 gives them a competitive advantage over URTA members, will harm the public
163 programs and siphons revenues from the state USF. Absent a public interest finding
164 and this requirement, the Commission should deny the application.

165 **Q: DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

166 A. Yes.

CERTIFICATE OF SERVICE

I certify that on November 22, 2010, I caused to be served the Prefiled Rebuttal Testimony of Douglas D. Meredith filed on behalf of the Utah Rural Telecom Association in Docket 10-2521-01 by electronic mail on the following:

DIVISION OF PUBLIC UTILITIES

Patricia Schmid pschmid@utah.gov
William Duncan wduncan@utah.gov
Casey Coleman ccoleman@utah.gov

OFFICE OF CONSUMER SERVICES

Paul Proctor pproctor@utah.gov
Cheryl Murray cmurray@utah.gov
Eric Orton eorton@utah.gov

SALT LAKE COMMUNITY ACTION PROGRAM

Betsy Wolf bwolf@slcap.org
Sonya Martinez smartinez@slcap.org

VIRGIN MOBILE

John M. Beahn jbeahn@skadden.com

TRACFONE WIRELESS

Mitchell Brecher brecherm@gtlaw.com

s/Stephen F. Mecham