### BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of: Virgin Mobile USA, L.P. Petition For Limited	) Docket No. ) 10-2521-01
Designation as an Eligible	
Telecommunications Carrier	) Hearing Officer:
	) David Člark

### TRANSCRIPT OF HEARING PROCEEDINGS

- TAKEN AT: Public Service Commission 160 East 300 South Salt Lake City, Utah
- DATE: March 8, 2011
- TIME: 9:08 a.m.
- REPORTED BY: Kelly L. Wilburn, CSR, RPR

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1 MARCH 8, 2011 9:08 A.M. 2 P R O C E E D I N G S 3 HEARING OFFICER: This is the time and place for the Hearing In the Matter of Virgin Mobile USA, 4 5 L.P. Petition For Limited Designation as an Eligible Telecommunications Carrier. Docket No. 10-2521-01. 6 My name is David Clark. I've been designated 7 8 as the Hearing Officer in this matter. And we'll 9 begin by taking appearances. And we'll begin with the 10 Applicant. 11 MS. BERTELSEN: Good morning, your Honor. Μv 12 name is Sharon Bertelsen from the law firm of Ballard 13 Spahr, and I represent Virgin Mobile USA. I have with 14 me today Elaine Divelbliss, and she will be testifying 15 for Virgin Mobile. 16 I also have her prefiled testimony. And she 17 will be available for cross examination. Thank you. 18 HEARING OFFICER: Thank you. 19 MS. SCHMID: Good morning. Patricia E. 20 Schmid, with the Attorney General's Office, 21 representing the Division of Public Utilities. And with me as the Division's witness is Casey J. Coleman. 22 23 MR. PROCTOR: Paul Proctor on behalf of the 24 Office of Consumer Services. Ms. Murray is our 25 witness today.

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1 HEARING OFFICER: Thank you. 2 MR. MECHAM: And Steve --3 MS. MARTINEZ: Sonya Martinez with Salt Lake 4 Community Action Program. 5 HEARING OFFICER: Thank you Ms. Martinez. 6 MR. MECHAM: Steve Mecham from the law firm 7 of Callister, Nebeker & McCullough, representing Utah 8 Rural Telecom Association. And our witness today is 9 Douglas Meredith. 10 HEARING OFFICER: Thank you. I believe 11 that's all the parties that I recognize in the room. 12 I don't believe we have any preliminary matters to 13 discuss on the record at this time, except for me to 14 mention that there have been several motions that have 15 been filed in advance of our hearing today, most 16 dealing with either discovery or scheduling matters. 17 My impression is that those have all been 18 addressed, either because they've been withdrawn or 19 because the Commission's scheduling orders have 20 addressed them. Is there any position contrary to 21 that? Does anyone think they have a pending motion or 22 any other business before we take evidence? 23 MR. PROCTOR: No. HEARING OFFICER: Thank you. 24 MS. BERTELSEN: No, your Honor. 25

1	HEARING OFFICER: All right. Ms. Bertelsen,
2	would you call your first witness, please?
3	MS. BERTELSEN: Okay.
4	(Ms. Divelbliss was sworn.)
5	HEARING OFFICER: Thank you.
6	MS. BERTELSEN: May I begin?
7	HEARING OFFICER: Please.
8	<u>ELAINE DIVELBLISS</u> ,
9	called as a witness, having been duly sworn,
10	was examined and testified as follows:
11	DIRECT EXAMINATION
12	BY MS. BERTELSEN:
13	Q. Ms. Divelbliss, please state your name,
14	title, and business address for the record.
15	A. My name is Elaine, middle initial M.,
16	Divelbliss. I'm senior counsel for Sprint Nextel
17	Corporation. And my business address is 10
18	Independence Boulevard in Warren, New Jersey 07059.
19	Q. Did you previously file testimony with the
20	Utah Public Service Commission in this docket?
21	A. Yes, I did.
22	MS. BERTELSEN: Might I approach?
23	HEARING OFFICER: Please.
24	Q. (By Ms. Bertelsen) This is the direct, and
25	rebuttal, and supplemental testimony?
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1	A. Yes, that is correct.
2	MS. BERTELSEN: I would like these documents
3	marked for identification as follows: Exhibit 1 is
4	the Direct Testimony of Elaine Divelbliss, filed on
5	October 8, 2010, with attachments. Exhibit 2 is her
6	Rebuttal Testimony, filed on December 7, 2010.
7	And Exhibit 3 is her Supplemental Testimony,
8	filed February 10, 2011. This exhibit is marked
9	"Highly Confidential" because it contains proprietary
10	information and trade secrets.
11	And finally there is an Exhibit 3A, which is
12	the public version of that of Exhibit 3 with the
13	confidential information redacted.
14	Q. (By Ms. Bertelsen) Ms. Divelbliss, were
15	these documents your direct, rebuttal, and
16	supplemental testimonies prepared by you or under
17	your immediate supervision?
18	A. Yes, they were.
19	Q. And do you have any corrections or additions
20	to any of these testimonies?
21	A. I do have several items I can walk through
22	quickly. And these are really by way of supplement,
23	based on the passage of time since the original
24	submission.
25	In the direct testimony Question 24 describes

1	the availability of a Lifeline application. I'd like
2	to supplement that testimony to make clear that the
3	application for customers is now available online to
4	print and complete.
5	Q. And that's on page 8, line 6?
6	A. Correct.
7	Q. Okay.
8	A. Question 24 of the direct testimony refers to
9	ETC designation in 11 states. Since the submission of
10	this testimony Virgin Mobile has been approved in
11	additional states. Virgin Mobile is now designated as
12	an ETC in 23 states, and I'd like to provide the list
13	on the record.
14	In addition to those 11 listed: Indiana,
15	Mississippi, Washington, Pennsylvania, Alabama,
16	Connecticut, the District of Columbia, Delaware, New
17	Hampshire, South Carolina, Iowa, and Arkansas.
18	That response also refers to FCC designations
19	in four states. The FCC designated an additional five
20	states on December 29, 2010. And those five
21	additional states are: Alabama, Connecticut, District
22	of Columbia, Delaware, and New Hampshire.
23	Q. Are you talking about Question No. 27 and 28?
24	A. Question that's, that goes to Question
25	No. 27 specifically.

1	Q. Okay. Thank you.
2	A. Questions 28 through 31 deal with the
3	implications of the Company's forbearance order that
4	was issued prior to the Sprint acquisition in November
5	of 2009. That forbearance order waived the facility's
6	requirement for Virgin Mobile when it was, at that
7	time, a reseller of Sprint service.
8	Again, on November 29th Sprint acquired
9	Virgin Mobile as a wholly-owned, fully-integrated
10	subsidiary. Subsequent to the acquisition Virgin
11	Mobile petitioned the FCC to recognize Virgin Mobile
12	as a facilities-based carrier.
13	And in fact on December 29, 2010, the FCC did
14	in fact determine Virgin Mobile to be
15	facilities-based, in the same order that it designated
16	Virgin Mobile in those five additional states. And so
17	that really goes to, you know, questions and responses
18	to Questions 28 through 31.
19	And I believe that is the extent of the
20	supplement.
21	Q. With those additions, if I were to ask you
22	the same questions under oath would you would your
23	responses be the same as in these three testimonies?
24	A. Yes, they would.
25	MS. BERTELSEN: At this time, your Honor, I
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# (March 8, 2011 - Virgin Mobile - 10-2521-01)

1	would like to move the admission into evidence of the
2	following prefiled testimony: Virgin Mobile
3	Exhibit 1, the Direct Testimony of Elaine Divelbliss,
4	Virgin Mobile Exhibit 2, her Rebuttal Testimony,
5	Virgin Mobile Exhibit 3, her Supplemental Testimony
6	and this exhibit marked "Highly Confidential" and
7	Virgin Mobile Exhibit 3A, the public version of her
8	Supplemental Testimony.
9	HEARING OFFICER: Objections?
10	MS. SCHMID: None.
11	HEARING OFFICER: They'll be received in
12	evidence. And for the benefit of the other parties,
13	we'll just continue with the numbering as, you know,
14	serially, as the Applicant began. And so the next
15	exhibit would be 4. So these are received in
16	evidence. Thank you.
17	MS. BERTELSEN: Thank you, your Honor.
18	(Exhibit Nos. 1 through 3A were received.)
19	Q. (By Ms. Bertelsen) Ms. Divelbliss, will you
20	please provide a summary of your prefiled testimony?
21	A. Yes. Virgin Mobile USA, a subsidiary of
22	Sprint Nextel Corporation, seeks eligible
23	telecommunications carrier status solely for the
24	purpose of providing Lifeline service to low-income
25	Utah residents under the brand name Assurance

	Wireless,	brought	to	you	by	Virgin	Mobile.
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In providing Lifeline service Virgin Mobile intends to seek low-income support from the Federal Universal Service Fund. Although Virgin Mobile contributes to the Utah State Universal Service Fund it does not seek support from the state USF at this time.

Since March 2009 Virgin Mobile has received
ETC designations in 23 states and launched service in
22 states. Assurance Wireless service has been
exceptionally well received by low-income residents in
these states in which the service is launched,
demonstrating a clear demand for prepaid wireless
Lifeline.

15 Virgin Mobile's Lifeline service launched in 16 January 2010, offering Lifeline-eligible customers a free Assurance Wireless branded Kyocera Jax handset of 17 18 the same type available to Virgin Mobile non-Lifeline 19 customers, 200 free minutes of nationwide calling, and 20 a number of other features and functionalities that 21 more-affluent customers have come to take for granted. 22 Such as voicemail access, call waiting, caller ID, and access to 911 in case of an emergency both at home and 23 24 away from home.

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Nine one calls and calls to customer care

have always been free of charge to all Virgin Mobile
 Lifeline customers. Over the past year, in response
 to market conditions, the basic Lifeline offer has
 been increased to 250 free minutes.

5 Virgin Mobile Lifeline customers may also 6 choose from two higher-usage offers. For \$5 customers 7 can receive an additional 250 minutes each month, for 8 a total of 500 minutes. Or for \$20 customers may 9 receive an additional 750 minutes each month and a 10 thousand text messages, for a total of 1,000 voice 11 minutes and 1,000 text messages.

All Lifeline customers may purchase
additional minutes for \$0.10 per minute, and purchase
text messages for \$0.10 per text.

Virgin Mobile's Lifeline offerings are well suited to serve low-income customers with reliable and affordable service. And we ask the Utah Commission to rapidly grant approval of Virgin Mobile's petition so that we may make these offers and the service available to low-income customers in Utah.

Q. When Virgin Mobile establishes an offering in
a state, the FCC sets the standard that it has to be
comparable to what is being offered in the state by
other Lifeline providers. How did Virgin Mobile
determine the offering in Utah?

1	A. The, the baseline Virgin Mobile considered in
2	its comparability analysis was unlimited local calling
3	for Lifeline customers. And that is our
4	understanding. That many, many ILECs offer that
5	unlimited local calling plan.
6	We then stacked up against that the services
7	that we can make available to customers. Specifically
8	nationwide calling as opposed to restricting customers
9	to local calling.
10	In addition we looked at the other
11	functionalities that we provide free of charge,
12	including voicemail, which many customers now consider
13	to be, you know, just a fundamental way of
14	communicating. Call waiting, caller ID.
15	And so we looked at the various elements of
16	our program and compared them with what a local
17	unlimited calling plan would offer customers. And we
18	were able to, you know, get the FCC comfortable with
19	the notion that this, in fact, was comparable to those
20	unlimited local plans.
21	Q. Thank you. And is Virgin Mobile currently
22	contributing to the State Universal Service Fund?
23	A. Currently Virgin Mobile Virgin Mobile had
24	been contributing to the state USF. And then there
25	was a petition for that involved overpayment. And
	14

# (March 8, 2011 - Virgin Mobile - 10-2521-01)

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1	so right now Virgin Mobile is taking advantage of
2	credits that were made available to it.
3	When those credits are exhausted, Virgin
4	Mobile will continue to contribute to USF.
5	Q. And does Virgin Mobile contribute to the Utah
6	E-911 fund?
7	A. Yes, it does.
8	Q. Does Virgin Mobile pay into the Federal
9	Universal Service Fund?
10	A. Yes, it does.
11	Q. And you said that at this time Virgin Mobile
12	is not seeking to access State Universal Service
13	Fund funds. Would Virgin Mobile request the
14	Commission's authority if it were to seek USF funds
15	for the Lifeline services in the future?
16	A. Yes. If Virgin Mobile sought to, to collect
17	state USF we would seek the authority to do so.
18	Q. And will you please provide a summary of what
19	it will take, when and if Virgin Mobile is granted ETC
20	status in Utah, in terms of launching the service?
21	A. Well, from the Company's perspective we could
22	be prepared to launch within days of a final order.
23	There is, you know, there, there is a marketing plan
24	that's in place. We get up and running, you know,
25	very quickly in any state where we're designated, you
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1	know, so long as the order is final and any
2	obviously any conditions have been met.
3	Q. And will Virgin Mobile potential Lifeline
4	customers be presented with a Utah-specific
5	information sheet that explains all of the offerings
6	of Virgin Mobile to allow consumers to make an
7	informed decision?
8	A. Virgin Mobile tailors, to each state, select
9	items of its marketing materials. So, for example,
10	Virgin Mobile launches a direct mail campaign to
11	targeted zip codes where we would anticipate a number
12	of low-income customers to be residing.
13	And so in those direct mail pieces that go
14	out we make very clear exactly what the Utah-specific,
15	for example, eligibility requirements would be. And
16	the applications that go to customers obviously
17	contain can contain state-specific eligibility
18	criteria.
19	And so in that way, yes, customers are made
20	aware of the Utah-specific requirements.
21	Q. And for the initial application will Virgin
22	Mobile be using the Commission-provided self-
23	certification application form, or will Virgin Mobile
24	be using its own application form that complies with
25	Administrative Code Rule 746-341-3?
	16

1	A The current plan is for Virgin Mobile to use							
	A. The current plan is for Virgin Mobile to use							
2	its own form of application, in compliance with any							
3	Utah requirements.							
4	Q. All right. And the Commission has held that							
5	the verification of continuing eligibility for each							
6	Applicant must occur as soon as practicable after the							
7	Lifeline Applicant self-certifies and is given							
8	Lifeline service, and verified at least annually.							
9	And that under another process that until							
10	another process is identified the Department of							
11	Community and Culture will provide perform that							
12	function. The processes and the cost to be determined							
13	in another docket, the Docket 10-2528-01, or in							
14	another proceeding.							
15	Is Virgin Mobile committed to working with							
16	Utah to establish a system for verifying the							
17	eligibility of Lifeline applicants and implementing							
18	the necessary procedures?							
19	A. Yes. Yes, it is.							
20	Q. And in your supplemental testimony you							
21	referred to an order by the FCC's Wireline Competition							
22	Bureau, which held that designating Virgin Mobile as a							
23	limited ETC eligible to receive Lifeline support is in							
24	the public interest. In determining the public							
25	interest what did the FCC consider?							

1	A. The FCC certainly considers competition in
2	the market. I think it's probably, as most people in
3	this room are probably aware, Lifeline continues to be
4	underutilized, you know, by eligible customers.
5	And so the FCC certainly focuses, in its
6	public interest analysis, on the advent of competition
7	in the Lifeline market. And what new offerings,
8	specifically wireless and in this case prepaid
9	offerings, can bring to customers. And so I think
10	that that's certainly an important element.
11	The FCC has also considered the impact on the
12	federal USF, and found the impact to be negligible to
13	this point of new entrants into the market. Those are
14	two of the elements that I can think of off the top of
15	my head.
16	Q. Okay. And also in that proceeding Virgin
17	Mobile voluntarily committed to implement procedures
18	to combat the potential for waste, fraud, and abuse,
19	and to work with state commissions. Will you please
20	discuss Virgin Mobile's voluntary commitments in that
21	area?
22	A. Absolutely. A significant issue that's been
23	raised time and time again is the concept of "double
24	dipping," we'll call it. Frankly, there's been no
25	real evidence that this is, in fact, a problem.
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But I believe that, you know, states and the FCC, and probably fairly, have some concerns that a customer who may be receiving a Lifeline discount on their wireline at home could also be availing themselves of Virgin Mobile's Lifeline service as well.

7 One measure that we agreed to undertake was 8 to make available to state commissions our customer 9 list. And so, to the extent that commissions were in 10 the position to run Virgin Mobile's customer list up 11 against an ILEC's list or another competitor's list, 12 they would be free to do so.

That is, in fact, the case in one state in which we currently operate. It's a very efficient, low-cost way of addressing the double-dipping problem without establishing a state database, or a national database, or something much more costly. So that's one commitment that we agreed to undertake.

We also, you know, our customers undergo a thorough review process, with the assistance of an administrator. And that's a review process that would certainly, you know, continue -- you know, it would be extended to Utah if we were to be approved here.

And I'm trying to recall some of the othermeasures.

1	Q. And I'm anything with regard to
2	investigating if an issue comes up?
3	A. Absolutely. If Virgin Mobile becomes aware
4	of a customer who's receiving Lifeline service from
5	more than one carrier, certainly we would reach out to
6	the customer immediately and request that they select
7	one carrier. And that only that carrier be permitted
8	to serve that customer and to provide that discount.
9	Q. And then if it is determined that the
10	customer is not eligible, then what will Virgin Mobile
11	do as far as deactivating, or?
12	A. Absolutely. So if the customer were to
13	choose Virgin Mobile, the other carrier would be
14	obliged to drop the customer. If the cus if the
15	customer chose the carrier other than Virgin Mobile,
16	Virgin Mobile would immediately cease serving the
17	customer. And obviously cease collecting the subsidy.
18	Virgin Mobile also agreed to voluntarily
19	agreed to implement a 60-day non-usage policy. And
20	what that effectively means is if a customer account
21	goes unutilized over a 60-day period, Virgin Mobile
22	begins an outreach effort to the customer to determine
23	whether or not the customer, in fact, continues to
24	want, continues to want the service.
25	We essentially give the customer a 30-day
	20

1	grace period in which to respond. And respond by
2	either confirming that they want to continue the
3	service, or to, or to engage in customer-initiated
4	usage of the service.
5	If after the 30-day grace period the service
6	continues to go unutilized or we do not hear from the
7	customer, the service is deactivated. And Virgin
8	Mobile seeks to collect the subsidy and would not
9	collect the subsidy for that 30-day grace period.
10	MS. BERTELSEN: Thank you.
11	Your Honor, at this time Ms. Divelbliss is
12	available for cross examination.
13	HEARING OFFICER: Thank you.
14	Ms. Schmid?
15	MS. SCHMID: All the issues upon which the
16	Division was going to seek clarification have just
17	been clarified, so the Division has no cross
18	examination for this witness.
19	HEARING OFFICER: Thank you. Mr. Proctor?
20	MR. PROCTOR: No questions.
21	HEARING OFFICER: Mr. Mecham?
22	MR. MECHAM: Thank you.
23	CROSS EXAMINATION
24	BY MR. MECHAM:
25	Q. Morning Ms. Divelbliss.
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1	A. Good morning.						
2	Q. Where does Virgin Mobile currently serve in						
3	rural areas?						
4	A. Do you mean in which states does it						
5	Q. No, I'm sorry, in Utah. What rural areas in						
6	Utah does Virgin Mobile serve in, if you know?						
7	A. Unfortunately I do not have that information						
8	at my fingertips. I apologize.						
9	Q. Okay, thank you. I believe it's Exhibit 2 to						
10	Virgin Mobile's petition in which you enumerate the						
11	exchanges in which Virgin Mobile is seeking to serve.						
12	MS. BERTELSEN: I'm sorry, I believe it's in						
13	the original petition.						
14	MR. MECHAM: Yeah, that's right.						
15	MS. BERTELSEN: Right.						
16	THE WITNESS: Exhibit 2. All right, I'm with						
17	you.						
18	MS. BERTELSEN: Okay.						
19	Q. (By Mr. Mecham) Now, I'm curious on what						
20	basis the Company selected these exchanges.						
21	A. Absolutely. Virgin Mobile is effectively						
22	seeking designation within its existing coverage area.						
23	And so the Company lays a coverage map over the wire						
24	centers in Utah and identifies the wire centers in						
25	which coverage is available.						
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1	Q. Okay. Does that mean that you have						
2	facilities in those exchanges, or that you go						
3	ahead, I'm sorry.						
4	A. Not necessarily.						
5	Q. Okay. And were you granted ETC status you						
6	would be prepared to serve in all of these exchanges						
7	<pre>immediately?</pre>						
8	A. That is correct. There is existing coverage						
9	in all of those wire centers.						
10	Q. Okay. Now, Ms. Bertelsen's direct						
11	examination you testified that and it's in your						
12	prefiled testimony as well that Virgin Mobile pays						
13	the 911 surcharge and also either has paid or will pay						
14	into the state USF, correct?						
15	A. That is correct.						
16	Q. Does Virgin Mobile also pay the Poison						
17	Control pay into the Poison Control Fund that's						
18	basically in tandem with the 911 surcharge?						
19	A. No, not currently.						
20	Q. And does Virgin Mobile pay the hearing						
21	<pre>impaired surcharge?</pre>						
22	A. Not at this time, no.						
23	Q. Okay, thank you. As far as now again, in						
24	your prefiled testimony, Question 21, you replied that						
25	Virgin Mobile pays all of the taxes and fees all						
	23						

1	applicable taxes and fees. But that doesn't include						
2	those two funds, I presume, the hearing impaired						
3	surcharge or the Poison Control?						
4	A. That is correct. The Company would not view						
5	those as applicable to its prepaid wireless customers.						
6	Q. What are there any other taxes or fees						
7	that Virgin Mobile pays that are included in that						
8	response?						
9	A. Not that I'm aware of sitting here today.						
10	Q. And why does the Company take the position						
11	that, for instance, Poison Control doesn't apply and						
12	yet 911 does?						
13	A. The Company undertakes a review of a relevant						
14	statute or a relevant regulation. It seeks input from						
15	inside counsel and outside counsel based on its						
16	review. And makes a determination as to whether or						
17	not it would apply to the nature of the service. At						
18	the time you know, based on the statute or the						
19	regulation in effect at the time.						
20	Q. Okay. Thank you. You also testified this						
21	morning that, with respect to the public interest						
22	test, the FCC looked at competition in the market as						
23	well as the impact on the Federal Universal Service						
24	Fund.						
25	Is it the Company's position that that is the						
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1	full public interest test that's applicable in Utah?							
2	A. No. That would definitely be overstating my							
3	testimony.							
4	Q. So there are other considerations?							
5	A. I would fully expect that there would be							
6	other considerations.							
7	Q. Are you aware if the Utah Public Service							
8	Commission has established any such test?							
9	A. I know that there is a public interest test							
10	that applies to specifically ETC designation in rural							
11	areas. I, sitting here at this moment, cannot count							
12	all of the factors that might apply.							
13	Q. Thank you. I know you're familiar with the							
14	Federal Act and the designation provision 214(e)(2)?							
15	A. (Moves head up and down.)							
16	Q. That provision makes a distinction between							
17	urban and rural areas, does it not?							
18	A. I believe so, yes.							
19	Q. Is there has Virgin Mobile given any							
20	consideration as to what the differences are in a							
21	rural area versus an urban area?							
22	A. The differences, could you clarify what you							
23	mean?							
24	Q. I'm sorry, I didn't hear you.							
25	A. The differences, could you clarify what you							
	25							

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1	mean by "the differences"?						
2	Q. Well, I'm really only using the statute. Do						
3	you have a copy of that in front of you?						
4	A. I don't believe so.						
5	MS. BERTELSEN: May I approach?						
6	HEARING OFFICER: Yes, please.						
7	Let the record reflect the witness has been						
8	provided a copy of the statute.						
9	(Pause.)						
10	Q. (By Mr. Mecham) Have you read it?						
11	A. I have, yes.						
12	Q. Do you see a distinction between rural and						
13	urban areas in that statute?						
14	A. One distinction I see is that in rural areas						
15	the state commission shall find the designation is in						
16	the public interest.						
17	Q. Okay.						
18	A. Which is what I was referring to.						
19	Q. Thank you. And above that it appears that						
20	the statement:						
21	"Upon request and consistent with						
22	the public interest, convenience, and						
23	necessity a state commission may, in the						
24	case of an area served by a rural						
25	telephone company, and shall in the case						
	76						

1	of all other areas, designate more than							
2	one common carrier."							
3	Would you agree that there's a distinction							
4	between what one does with the urban areas and the							
5	rural areas in that statute?							
6	A. Based on my interpretation, in the case of							
7	urban areas the statute is mandatory in the							
8	designation. And it's discretionary in the case of							
9	rural areas.							
10	Q. So there are, perhaps, other considerations							
11	in the rural areas versus the urban areas?							
12	A. Yes, I guess I would expect that would be							
13	the case.							
14	Q. Did Virgin Mobile give any consideration to							
15	what the impact might be on the State Universal							
16	Service Fund were it given ETC status in rural areas?							
17	A. In the case of Utah specifically, no.							
18	MR. MECHAM: May I have just a moment?							
19	HEARING OFFICER: Absolutely.							
20	MR. MECHAM: Thank you Ms. Divelbliss, I have							
21	nothing further.							
22	HEARING OFFICER: Any redirect,							
23	Ms. Bertelsen?							
24	MS. BERTELSEN: Yes.							
25	***							
	27							

27

1	REDIRECT EXAMINATION						
2	BY MS. BERTELSEN:						
3	Q. With regard to the public interest finding,						
4	would you agree that the FCC and the state commission						
5	may conduct public interest analyses differently or						
6	may reach a different outcome, depending on the						
7	service area?						
, 8	A. Absolutely.						
9	MS. BERTELSEN: That's it, your Honor. Thank						
10	you.						
11	HEARING OFFICER: Thank you.						
12	I have a question or two, Ms. Divelbliss, if						
13	I may?						
14	THE WITNESS: Please, your Honor.						
15	HEARING OFFICER: Regarding the Company's						
16	prior USF payments or contributions, are you						
17	acquainted with the mechanics of the calculation of						
18	the amount that is owing under the statute?						
19	THE WITNESS: My understanding is the						
20	calculation is based on intrastate revenue, and I						
21	believe it's .25 percent.						
22	HEARING OFFICER: Uh-huh. And						
23	THE WITNESS: It's a very rough						
24	understanding.						
25	HEARING OFFICER: Okay. Do you have a sense						
	28						

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1	of how the intrastate revenues are identified for that
2	purpose by the Company, or? That's really the heart
3	of my question.
4	THE WITNESS: I do not. That's beyond my
5	purview.
6	HEARING OFFICER: Uh-huh. I think those are
7	all my questions.
8	Any redirect based on mine?
9	MS. BERTELSEN: I do have one other question.
10	HEARING OFFICER: That's fair.
11	FURTHER REDIRECT EXAMINATION
12	BY MS. BERTELSEN:
13	Q. And Virgin Mobile has the ability to isolate
14	intrastate and interstate; is that correct?
15	A. If they don't have a way to isolate it
16	directly, I suspect well, I'm speculating. But
17	that there is a formula that can be applied to
18	determine what might be intrastate or interstate.
19	MS. BERTELSEN: Okay, thank you.
20	HEARING OFFICER: You're excused,
21	Ms. Divelbliss. Thank you.
22	MR. MECHAM: Could I
23	HEARING OFFICER: Mr. Mecham, did I
24	MR. MECHAM: Is the I'm sorry.
25	* * *

1	
	RECROSS EXAMINATION
2	BY MR. MECHAM:
3	Q. Is there is the subsidy or the can you
4	divide the subsidy between intrastate and interstate,
5	or does it just come in one whole?
6	A. The subsidy for the Lifeline customers
7	Q. Uh-huh.
8	A you're speaking of? We do not. It comes
9	in a whole.
10	MR. MECHAM: Thank you.
11	HEARING OFFICER: You're excused. Thank you
12	very much.
13	THE WITNESS: Thank you, your Honor.
14	HEARING OFFICER: I believe that's your only
15	witness, Ms. Divelbliss, am I correct?
16	MS. BERTELSEN: That's correct.
17	HEARING OFFICER: Or I'm sorry,
18	Ms. Bertelsen.
19	MS. BERTELSEN: Yes, that's correct. Thank
20	you.
21	HEARING OFFICER: Ms. Schmid?
22	MS. SCHMID: Thank you. The Division would
23	like to call Mr. Casey J. Coleman as its witness.
24	HEARING OFFICER: Are there questions for
25	Mr. Coleman before we have him sworn and?
	30

1	MR. PROCTOR: I have none.
2	MR. MECHAM: Again, I don't have extensive
3	cross, but I'd like to ask him a few questions.
4	HEARING OFFICER: Fine.
5	MR. MECHAM: He might answer it in his
6	summary, I don't know.
7	HEARING OFFICER: All right.
8	Please have a seat, Mr. Coleman. And raise
9	your right hand.
10	(Mr. Coleman was sworn.)
11	HEARING OFFICER: Ms. Schmid?
12	<u>CASEY J. COLEMAN</u> ,
13	called as a witness, having been duly sworn,
14	was examined and testified as follows:
15	DIRECT EXAMINATION
16	BY MS. SCHMID:
17	Q. Good morning.
18	A. Good morning.
19	Q. Mr. Coleman, could you please state your full
20	name, title, and business address for the record?
21	A. Casey J. Coleman, utility technical
22	consultant. And the address is 160 East 300 South,
23	Salt Lake City, Utah 84114.
24	Q. Have you been involved in this case on behalf
25	of the Division?
	21

1 Α. Yes. 2 Could you please briefly describe your Q. 3 activities on behalf of the Division? Α. 4 Yeah. I, I reviewed and analyzed the 5 application submitted by Virgin Mobile, and then filed 6 some testimony regarding our analysis as a Division on 7 that testimony filed. 8 0. In addition have you also reviewed the 9 testimony filed by others in this Docket? 10 Α. Yes. 11 0. Did you prepare and cause to be filed an 12 exhibit marked as DPU Exhibit 1, the Direct Testimony 13 of Casey J. Coleman, which I believe for purposes of 14 this record we will now call Exhibit 4 --15 HEARING OFFICER: Thank you. 16 (By Ms. Schmid) Did you prepare and cause 0. that to be filed? 17 18 Α. Yes. 19 Q. Do you have any changes or corrections to that testimony? 20 21 Α. No. 22 So if you were asked the same questions today Q. 23 while you are under oath would your answers be the 24 same as those stated in the prefiled written 25 testimony?

1 Α. Yes. 2 Q. Do you have a summary to give today? 3 Α. Yes. 4 0. Please proceed. 5 Α. My testimony focused on the application filed 6 by Virgin Mobile, and whether its petition to become 7 an eligible telecommunications carrier met the 8 requirements outlined by the Federal Communications 9 Commission. 10 My analysis looked at the federal framework 11 to determine whether granting an ETC designation to 12 Virgin Mobile was in the public interest. And finally, my testimony covered the conditions the 13 14 Commission should adopt if Virgin Mobile is designated 15 as an ETC in the State of Utah. 16 My analysis showed that Virgin Mobile has met 17 the federal requirements that would allow it to 18 qualify for the Lifeline subsidy. 19 Even though Virgin Mobile has met the 20 guidelines suggested by the FCC as an ETC, the 21 Division believed that approval of Virgin Mobile's 22 application should be conditioned upon requiring it to 23 follow similar verification methods used by other 24 Lifeline providers within the State in order to ensure 25 that individuals qualify for the Lifeline subsidy.

1	And then we also believe another condition
2	and I know that Ms. Divelbliss brought this up as
3	well. But if Virgin Mobile had a desire to seek funds
4	from the state USF Fund that they do need to reapply
5	for that also as well.
6	And so we believe the Commission should put
7	that as, you know, an element in their I know they
8	stated it, but it's just as a good measure to make
9	sure that it's expressed in there as well that that is
10	a requirement. And that's my summary.
11	MS. SCHMID: Before the Division makes
12	Mr. Coleman available for cross examination and
13	questions from the Hearing Officer, the Division would
14	like to move the admission of Exhibit 4, the Direct
15	Testimony of Casey J. Coleman, in this docket.
16	HEARING OFFICER: If there's no objection,
17	the exhibit will be received in evidence.
18	MS. SCHMID: Thank you.
19	(Exhibit No. 4 was received.)
20	MS. SCHMID: Mr. Coleman is now available.
21	HEARING OFFICER: Anyone have any cross
22	examination for Mr. Coleman?
23	Do you
24	MS. BERTELSEN: Yes.
25	HEARING OFFICER: Ms. Bertelsen? Let's
	34

(March 8, 2011 - Virgin Mobile - 10-2521-01) 1 have you start then. 2 MS. BERTELSEN: Yes, thank you. 3 CROSS EXAMINATION BY MS. BERTELSEN: 4 5 Q. Good morning. Α. Good morning. 6 7 Q. And Virgin Mobile agrees with your testimony, 8 thank you. We just have one question, and that is, 9 you stated that Virgin Mobile -- you determined that Virgin Mobile meets all of the requirements for ETC 10 11 designation, correct? 12 Α. As far as what the federal guidelines were, 13 yeah. And what we reviewed looking at, you know, 14 making sure that it had all the functions and the 15 things that are outlined, yes. 16 0. That's what I was gonna ask. That Virgin 17 Mobile will offer all of the services and 18 functionalities supported by the Universal Service 19 Program using their own facilities or a combination of 20 their own and another carrier's services, correct? 21 Α. Correct, ves. 22 And then also that it will -- it has Q. committed that it will advertise the availability and 23 24 rates of the Lifeline services using media of general 25 distribution?

1 Α. Correct, yes. MS. BERTELSEN: Thank you. 2 3 HEARING OFFICER: Mr. Mecham? MR. MECHAM: Thank you. 4 5 CROSS EXAMINATION 6 BY MR. MECHAM: 7 Q. Good morning Mr. Coleman. 8 Α. Good morning Mr. Mecham. 9 Q. You testify in your prefiled testimony -- and you just did in your, in your verbal testimony -- that 10 Virgin Mobile meets all the criteria to be designated 11 12 an ETC. And you specified that that's under Section 13 214(e)(1) of the federal statute. 14 Do they meet the public interest criteria of 15 (e)(2)? 16 Α. I don't have (e)(2) in front of me, so I 17 couldn't specifically say. And I don't believe I put 18 it in my testimony. Maybe I did and I missed it, but. 19 MS. BERTELSEN: May I approach? 20 HEARING OFFICER: Please. 21 The witness is being provided a copy of the 22 statute. 23 MS. BERTELSEN: Two fourteen (e)(1) and (2.) MS. SCHMID: Thank you very much, 24 25 Ms. Bertelsen.

1	MR. MECHAM: Yeah.
2	(Pause.)
3	THE WITNESS: Okay. I, I read it. Do you
4	want to ask me the question again so I can respond?
5	Q. (By Mr. Mecham) Yes, thank you. Do they
6	meet the public interest test? And what is the
7	public well, no. I won't compound it.
8	Do they meet the public interest test?
9	A. It does appear, from my reading of this
10	and again, I'm not an attorney. So it's just my
11	understanding is
12	Q. Well, I'm not asking for your legal opinion.
13	A. Okay, good.
14	Q. I just know you have lots of experience.
15	A. It does look like there could be a different
16	test for a rural area versus an urban area. Now, I do
17	know that in the State of Utah that there is some
18	public interest that has happened for, not necessarily
19	ETC designations, but in other areas where I believe
20	the Commission has gone forward and put forth a public
21	interest standard that would be applicable for rural
22	carriers.
23	What I'm not sure of with this, though, is I
24	believe that the Company has to come in and I know
25	in other cases that for it to be in the rural area
	37

1	they would have to request a waiver of this, or ask
2	for it to be in the rural areas. And I don't know if
3	that's applicable with the ETC designation or not.
4	Q. So the test has a test been established as
5	to what public interest is in the rural areas?
6	A. I don't know specifically for an ETC. I
7	don't, I don't know that it has been. I believe that
8	there is in other similar cases. For example CPCNs
9	and other areas, I believe that there is a public
10	interest standard out there for the rural areas.
11	Well, hold on. Let me think about this.
12	Yeah. Actually, going back in my memory, I
13	believe that there was an ETC case that was dealing
14	with the rural area and Western Wireless, which I
15	believe was an ETC case. And I believe that there was
16	a rural standard that was somewhat applicable in that
17	case.
18	Q. Do you remember what happened in the Western
19	Wireless case?
20	A. From my understanding, I believe that the
21	Commission determined that Western Wireless was not in
22	the public interest at that time. I don't know the
23	exact language, but I believe it was that they felt
24	that there wasn't a benefit to having multiple
25	carriers within one area.
	38

1	And that's going off the top of my head and
2	not reviewing it recently, so my verbiage could be a
3	little bit incorrect.
4	Q. Okay, thank you. Did the Division give any
5	consideration to what the impact might be of ETC
6	status in rural areas specifically?
7	A. Obviously there was some consideration given
8	in the rural areas as far as competition. You know,
9	having wireless providers go in there's gonna be
10	competition that happens with that. And there
11	obviously could be an impact to that.
12	Did we do a thorough analysis as far as if
13	there would be financial impacts, you know, a dollar
14	amount that would be tied to that? We didn't do
15	anything specific to that.
16	But there was discussions and at least a
17	review, you know. Recognizing that if these sorry.
18	If Virgin Mobile or if other prepaid wireless was able
19	to go into rural areas, obviously there would be an
20	impact.
21	But I don't have a dollar amount that I could
22	say it would be that impact.
23	MR. MECHAM: Can I have just one moment?
24	HEARING OFFICER: Yes.
25	(Pause.)
	39

1	MR. MECHAM: Thank you.
2	Q. (By Mr. Mecham) Mr. Coleman, do you know if
3	the I'm gonna do you have (e)(5) yeah, with
4	you? Did Ms. Bertelsen give that to you?
5	A. It starts: "Service area defined"?
6	Q. Yes, that's correct.
7	A. Yes, I do have that.
8	Q. Do you know if the State has made any
9	determination that a service area for an ETC should be
10	different than the underlying carrier's study area?
11	A. Off the top of my head, I don't, I don't
12	remember if there has been that distinction made.
13	Q. As far as you know, there hasn't, has there?
14	A. Again, I honestly, I don't, I don't
15	remember. So I, I can't say yes or no.
16	MR. MECHAM: Thank you, Mr. Coleman.
17	Thank you, your Honor.
18	HEARING OFFICER: Redirect?
19	MS. SCHMID: Just a couple of questions.
20	Actually, no redirect. Thank you.
21	HEARING OFFICER: Mr. Coleman, you're
22	excused.
23	THE WITNESS: Thank you.
24	HEARING OFFICER: Thank you very much.
25	Mr. Proctor, let's determine whether we have
	40

1 cross for Ms. Murray. 2 MR. MECHAM: I'll always have a little cross. 3 MR. PROCTOR: Do you want to take your break 4 now, and then just do her all at once? 5 HEARING OFFICER: That's a great idea. Ιf 6 that's convenient for you, let's do that. Let's meet 7 back at five after the hour. (A recess was taken from 9:55 to 10:05 a.m.) 8 9 HEARING OFFICER: Let the record reflect that 10 Ms. Cheryl Murray has taken the stand for the Office 11 of Consumer Services. 12 (Ms. Murray was sworn.) 13 HEARING OFFICER: Mr. Proctor? 14 CHERYL MURRAY, 15 called as a witness, having been duly sworn, 16 was examined and testified as follows: 17 DIRECT EXAMINATION BY MR. PROCTOR: 18 Ms. Murray, you're here on behalf of the Utah 19 Q. 20 Office of Consumer Services; is that correct? 21 Α. Yes. 22 Q. And for the Office you are a utility analyst, 23 in particular assigned to this matter? 24 Α. That's correct. 25 And have you filed two items of testimony, Q. 41

1	the first that is on its face marked OCS-1D, which is
2	your Direct Testimony, filed November 23, 2010?
3	A. Yes.
4	Q. And there's an exhibit also marked OCS-1.1,
5	Updates to Lifeline Offering; is that correct?
6	A. Yes.
7	Q. And finally there is an item list marked
8	on its face as OCS-1R Murray, your Response to
9	Supplemental Testimony. And that was filed
10	February 24, 2011?
11	A. Correct.
12	Q. Do you have any corrections that you wish to
13	make to either of those items of testimony?
14	A. Yes, I do. To the one marked 1R? In the
15	heading I have a typographical error, Ms. Divelbliss's
16	name is spelled incorrectly. It should be
17	D-i-v-e-l-b-l-i-s-s.
18	Q. And that is the only correction?
19	A. That is, yes.
20	Q. If I were to ask you the questions that you
21	responded to in your prefiled written testimony would
22	your answers remain the same?
23	A. They would.
24	MR. PROCTOR: Your Honor, I believe that
25	under your system of marking it would be Exhibit 5,
	4.7

1	with I would request that the exhibit be marked
2	5.1. And Exhibit 6 is the response testimony. And
3	with that, we would move for their admission.
4	HEARING OFFICER: Thank you, Mr. Proctor. I
5	just want to make sure that I've got 5.1. Would you
6	describe that again for me?
7	MR. PROCTOR: Ms. Murray?
8	HEARING OFFICER: Is that an attachment?
9	THE WITNESS: It's an attachment to the
10	direct testimony.
11	HEARING OFFICER: Okay. You don't happen to
12	have an extra copy of that, would you? I apologize,
13	but I, I think I may not have.
14	THE WITNESS: (The witness complies.)
15	HEARING OFFICER: Thank you.
16	THE WITNESS: You're welcome.
17	HEARING OFFICER: I see that. I do have it,
18	I apologize. I'm gonna give you yours back. Thank
19	you.
20	THE WITNESS: Thank you.
21	HEARING OFFICER: Mr. Proctor, please
22	proceed.
23	Q. (By Mr. Proctor) Ms. Murray, would you
24	provide a summary of your testimony, please?
25	A. Yes. The Office of Consumer Services is
	43

1	responsible for assessing the impact of utility rate
2	changes and regulatory actions upon residential and
3	small commercial customers. It is in that capacity
4	that we analyzed Virgin Mobile's request for a limited
5	designation as an eligible telecommunications carrier.
6	Our concerns are both with the benefits
7	provided to low-income carriers through customers
8	through prepaid wireless ETCs, and the funds that are
9	collected from telecommunications customers to fund
10	ETCs.
11	The Office recognizes the need for low-income
12	persons to have access to telephone service, and in
13	general supports the ability to receive that access
14	through prepaid wireless telephone service.
15	Based on our analysis of Virgin Mobile's
16	testimony, exhibits, and data responses, the Office
17	recommends that the Commission approve Virgin Mobile's
18	request for ETC designation and allow them to begin
19	providing Lifeline service to eligible customers with
20	the following three conditions:
21	One, development and use of a Utah-specific
22	information sheet. Ms. Divelbliss this morning has
23	suggested that they do create something of that
24	nature. We haven't seen it, and so we can't really
25	comment on the content.

1	But we do recommend that interested parties
2	be able to work with Virgin Mobile or to review that
3	sheet so that we can find if it has the same types of
4	information that the TracFone case TracFone agreed
5	to provide in their Docket.
6	Number two, payment of appropriate taxes and
7	fees.
8	Three, use of an interim certification and
9	verification process, and agreement to adopt any
10	changes to the process developed within Docket
11	10-2528-01.
12	This interim process I described in my
13	responsive testimony. And it would add the additional
14	protection of requiring Lifeline applicants certifying
15	through program-based eligibility to provide Virgin
16	Mobile documentation regarding their participation in
17	qualifying public assistance programs.
18	The Commission's order in this Docket should
19	make clear that Virgin Mobile will be subject to the
20	requirements and/or rules resulting from Docket
21	10-2528-01, which we believe will address some of
22	these issues.
23	The Office also recommends that the
24	Commission undertake the tasks of Docket 10-2528-01 at
25	its earliest convenience.

1	And finally, the Office recommends that the
2	Commission should require that Virgin Mobile notify
3	the Commission of any changes to its Lifeline service
4	offering. And that any future request for access to
5	the state USF requires a filing and a hearing on the
6	matter.
7	And Ms. Divelbliss has already stated earlier
8	today that they would request that certification, or
9	come to the Commission if they were to ask for state
10	USF funding. And that concludes my summary.
11	Q. Ms. Murray, with respect to the interim
12	process that you referred to, has Virgin Mobile
13	offered an interim process also for verification of
14	eligibility as well as certifying initial eligibility?
15	A. Yes, they have.
16	Q. And what is that offer from Virgin Mobile?
17	A. They will well, they will the customer
18	will provide they'll fill out the application.
19	They will self-certify that they are eligible either
20	under a program-based qualification or income based.
21	If it is income based, then they provide
22	documentation of their income level. And our concern
23	is if it is program based currently DCC checks all
24	of the applicants to make sure that they are enrolled
25	in a program. But once we get prepaid wireless

1 providing ETC service, currently DCC is not set up. 2 And it's our understanding that they are not really 3 willing, able, whatever, to undertake that at this 4 time. 5 And so until there is a, a new process in 6 place, which we think will come out of Docket 7 10-2528-01, we're recommending that program-based 8 applicants document their eligibility. 9 0. And would that process on an interim basis 10 for verification satisfy the Office? 11 Α. It would. And we -- I would just add that we 12 think that -- we don't expect that this would just 13 apply to Virgin Mobile. We think this is something 14 that needs to be in place for all prepaid wireless 15 carriers until there is another process in place. 16 MR. PROCTOR: Ms. Murray is available for 17 Thank you. cross. 18 HEARING OFFICER: Thank you Mr. Proctor. 19 MS. BERTELSEN: Yes. 20 HEARING OFFICER: Ms. Bertelsen? 21 MS. BERTELSEN: Thank you, your Honor. 22 CROSS EXAMINATION BY MS. BERTELSEN: 23 To continue that line of questioning, you're 24 0. 25 recommending that applicants under the program-based

1	eligibility provide not only self-certify, but then
2	provide documentation of the program
3	A. Correct.
4	Q is that correct?
5	A. Correct.
6	Q. And are you familiar with Administrative Code
7	746-341-3, subsection (a), addresses the program-based
8	eligibility? And that states: The ETC shall provide
9	Lifeline telephone service to any Applicant who
10	self-certifies under penalty of perjury this
11	household or his household is eligible for public
12	assistance under one of those 11 programs listed.
13	Are you aware that the Office is requesting a
14	requirement that is beyond this rule?
15	A. I am aware that of what the rule says.
16	Q. Uh-huh.
17	A. I'm also aware that the Commission has
18	assign or contracted with DCC to provide certain
19	verification requirements. And that works fine as
20	for the ETCs that are currently in place.
21	But as we add more, and they are not going
22	through DCC for that verification, we're asking for an
23	additional protection. To make sure that the people
24	who are signing up for this program are, in fact,
25	eligible.

1	Q. Okay. And just to add one other thing. In
2	the TracFone December 1, 2010, report and order the
3	Commission and I think and I'm gonna ask if
4	you're aware of this. The Commission stated that
5	qualified applicants for Lifeline service may receive
6	such service initially based on their own self-
7	certification as outlined in that Rule 746-341-3.
8	A. I'm
9	Q. So you're aware of that order?
10	A. I'm aware of that order.
11	Q. Okay.
12	A. I'm also aware that it is under
13	reconsideration.
14	Q. Okay. Thank you. And may we visit your
15	direct testimony for a moment
16	A. Okay.
17	Q please? On page 2, line 31, you state
18	that Virgin Mobile your the Office is
19	recommending that the Commission condition any order
20	granting Virgin Mobile ETC status that:
21	"Virgin Mobile must comply with
22	Commission determined methods or
23	processes to establish initial
24	eligibility, to complete annual
25	recertification and to determine that
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customer -- customers do not take service from multiple Lifeline providers."

And that would include payment of these
associated processes. And my question is, are you
aware that the Division of Public Utilities believes
that treating Virgin Mobile the same as other
companies, like Qwest or rural ILECs, that pay into
the Universal Service Fund is sufficient to cover the
cost of verification?

A. I'm aware that that is their view. I would, however, say that we don't know what the cost of verification is going to be, because there isn't a process currently in place to verify all of the potential wireless providers -- prepaid wireless providers, landline providers.

17 Until that process is actually developed and 18 in place, which we assume will happen through 19 10-2528-01, that's when we will know what the cost is. 20 Q. Okay, thank you. And then on that same 21 page 2 but line 36 you state that Virgin Mobile -- and 22 this is also in your recommendation -- or the Office's 23 recommendation. That:

"Virgin Mobile must be subject to state taxes and fees related to

1	telecommunications services necessary to
2	the public safety and welfare."
3	What are you referring to there?
4	A. USF, 911, Poison Control, E-911, those types
5	of taxes and fees.
6	Q. Okay. And are you also aware that in the
7	TracFone proceeding the Commission declined to make
8	the payment of 911 tax and other public interest
9	program surcharges a condition to the ETC designation?
10	A. I'm aware of that order, and aware that it is
11	under reconsideration.
12	Q. And the reconsideration, I have it. I
13	believe it's limited to whether they should contribute
14	to the Universal Service the State Universal
15	Service Fund.
16	A. You very well may be correct.
17	Q. Okay. That's
18	A. I know they aren't at least I don't
19	believe they are visiting revisiting everything in
20	that order.
21	HEARING OFFICER: I can assure you the
22	Commission knows what it's revisiting.
23	MS. BERTELSEN: Thank you. That's all I
24	have. Thank you, your Honor.
25	HEARING OFFICER: Thank you Ms. Bertelsen.
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1	MS. BERTELSEN: Thank you Ms. Murray.
2	HEARING OFFICER: Mr. Mecham?
3	MR. MECHAM: Thank you.
4	CROSS EXAMINATION
5	BY MR. MECHAM:
6	Q. Good morning Ms. Murray.
7	A. Good morning.
8	Q. Does the Office view this program being
9	offered by Virgin Mobile as being comparable to what's
10	offered by a landline?
11	A. I think we view it as being we I don't
12	know that we have analyzed this in a direct
13	comparability. We do think that there are
14	differences. As was pointed out earlier, with a
15	landline you often get well, generally you would
16	get unlimited local calling.
17	So to make a direct comparison I think would
18	be difficult. And we have not we're not viewing
19	this as in a direct comparison.
20	Q. So you haven't determined it's inferior?
21	A. No, we have not.
22	Q. Okay. Just thought I'd ask. In your direct
23	testimony, lines 13 to 23, you itemize several things
24	that the Office felt needed to be done before the
25	Commission could grant ETC designation.
	50

1 Α. Correct. 2 Q. Have all of those been done? 3 Α. They have not all been done. But in my 4 responsive testimony we've sort of altered our 5 position somewhat. And the reason for that is that we 6 think that prepaid wireless can provide a valuable 7 service to low-income customers. 8 We think that there is a docket that's open 9 that will address many of these issues that we have. 10 We think that the docket hasn't proceeded as quickly 11 as we anticipated. And so what we've tried to do is 12 come up with something that will satisfy the majority 13 of our concerns on an interim basis. 14 And what if at the end of that interim period 0. 15 these haven't been -- these conditions that you stated 16 haven't been met? 17 MR. PROCTOR: Objection, calls for 18 speculation. 19 HEARING OFFICER: Sustained. 20 MR. MECHAM: Well -- okay. 21 0. (By Mr. Mecham) With respect to your 22 requirement that they pay -- that is, Virgin Mobile 23 pay all taxes and fees? Does that mean if they're not paying Poison Control, even in your rebuttal 24 25 testimony, they shouldn't be granted ETC status?

1	A. We think that they should be required to pay
2	Poison Control.
3	Q. And the hearing impaired surcharge?
4	A. To be honest, we have not really looked at
5	that particular. But it is, it is a service that's
6	related to telecommunications but we haven't
7	specifically looked at that one, so.
8	Q. Does that have the same principles as the
9	911? I mean in other words, if they don't pay the
10	hearing impaired surcharge doesn't that result in a
11	diminishment of the funds to be able to fulfill the
12	requirements of that program?
13	A. Potentially, yes.
14	Q. Okay. Did the Office consider the public
15	interest impact in rural areas of this ETC
16	application?
17	A. Not specifically. I mean not it maybe
18	you would like to expound on that question just a bit.
19	Q. Well, as you've you've been present in the
20	hearing room this morning?
21	A. Uh-huh.
22	Q. Do you have a copy of Section 214(e)(2) of
23	the Federal Act?
24	A. I do not.
25	MR. PROCTOR: No.
	Γ.Λ

1 MR. MECHAM: I guess I'll -- may I approach, 2 your Honor? 3 HEARING OFFICER: Please. The witness has been provided a copy of the 4 5 Act. The relevant section. 6 THE WITNESS: Okay. 7 Q. (By Mr. Mecham) It requires, does it not, that the Commission determine that in rural areas it 8 9 be in the public interest to designate another ETC? That's correct. And I'm sure the Commission 10 Α. 11 can make that determination. 12 Q. Do you know what the standard is? 13 Α. I do not. 14 0. Do you have any -- okay. 15 What about the service area? The service 16 area is defined in 214(e)(5.) 17 MR. PROCTOR: Objection, there's no question. It's merely a statement. Furthermore, there's no 18 19 foun --20 MR. MECHAM: Well, I'm having her read it. 21 MR. PROCTOR: There's no foundation for --22 MR. MECHAM: Well, there's no --23 MR. PROCTOR: There's no foundation within her direct testimony with respect to service 24 25 territories in rural areas and the public interest.

1	And she only she already testified that
2	they didn't speci the Office did not specifically
3	consider that issue in its testimony, so there's no
4	foundation for any questions pertaining to it.
5	HEARING OFFICER: Mr. Mecham, I'll allow you
6	to ask another question or two to see if you can
7	develop a foundation that the information you're
8	seeking is within the witness's understanding or
9	knowledge.
10	MR. MECHAM: Well, your Honor, I don't want
11	to get into a big argument over foundation, but the
12	Rules of Evidence in administrative law do not apply.
13	So I don't really have to establish foundation, in
14	spite of Mr. Proctor's best efforts.
15	But nevertheless, I'm just curious if
16	Ms. Murray is aware of the Commission having
17	established that the service area could be something
18	other than the study area. If the answer is no, the
19	answer is no.
20	HEARING OFFICER: You can answer that
21	question, Ms. Murray.
22	THE WITNESS: Okay. I, I my understanding
23	was that the Commission can designate a service area.
24	I don't know the study. I don't know anything about
25	the study area.
22	

1	MR. MECHAM: Okay, all right. Thank you.
2	Thank you. That's all.
3	HEARING OFFICER: Redirect, Mr. Proctor?
4	MR. PROCTOR: Just a few.
5	REDIRECT EXAMINATION
6	BY MR. PROCTOR:
7	Q. Ms. Murray, are you familiar with pending
8	legislation that would assess 911, E-911, and Poison
9	Control fees upon prepaid wireless services?
10	A. Yes.
11	Q. Do you know the status of that legislation at
12	this time?
13	A. I believe it's still being voted on. I
14	last I heard, so.
15	Q. With respect to the relay fees that are
16	assessed, do you know whether or not the relay service
17	for the hearing impaired functions on a wireless
18	handset?
19	A. I do not know.
20	MR. PROCTOR: That's all I have, thank you.
21	HEARING OFFICER: Thank you Mr. Proctor.
22	Thank you Ms. Murray.
23	THE WITNESS: You're welcome.
24	HEARING OFFICER: You're excused.
25	Ms. Martinez, I believe you would be next.
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1	MR. PROCTOR: And with your permission, your
2	Honor, I will ask her the preliminary questions.
3	HEARING OFFICER: Thank you very much for
4	your assistance, Mr. Proctor. I just want to make
5	sure that we're that the process is necessary.
6	Mr. Mecham, do you have some cross for
7	Ms. Martinez as well? Few questions?
8	MR. MECHAM: I could.
9	HEARING OFFICER: Okay.
10	(Ms. Martinez was sworn.)
11	HEARING OFFICER: Thank you.
12	Mr. Proctor?
13	MR. PROCTOR: Thank you.
14	<u>SONYA MARTINEZ</u> ,
15	called as a witness, having been duly sworn,
16	was examined and testified as follows:
17	DIRECT EXAMINATION
18	BY MR. PROCTOR:
19	Q. Ms. Martinez, would you state your name, your
20	business address, and by whom you're employed?
21	A. Sonya Martinez, S-o-n-y-a, M-a-r-t-i-n-e-z.
22	I am employed by Salt Lake Community Action, 764 South
23	200 West, Salt Lake City, Utah.
24	Q. In what capacity are you employed by Salt
25	Lake CAP?

1	A. I am an advocate for the low-income
2	population.
3	Q. And as part of your responsibility do you
4	review, analyze, and provide testimony in matters such
5	as the one that's before this Commission today?
6	A. Yes.
7	Q. And in this case did you prepare and file
8	testimony addressing the issues raised by Virgin
9	Mobile's application?
10	A. Yes, I did.
11	Q. What was that testimony and when was it
12	filed?
13	A. It was filed on November 23, 2010. Testimony
14	of Sonya L. Martinez on behalf of Salt Lake Community
15	Action Program.
16	Q. Did you file any other testimony?
17	A. No.
18	Q. If I do you have any changes or
19	corrections that you wish to make to that direct
20	testimony?
21	A. No, I do not.
22	Q. If I were to ask you the questions that you
23	responded to in the written testimony would your
24	answers remain the same?
25	A. Yes.
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1 MR. PROCTOR: I believe this would be 2 marked --3 HEARING OFFICER: It's Exhibit 7. MR. PROCTOR: -- Exhibit 7? 4 5 HEARING OFFICER: Correct. 6 MR. PROCTOR: And with that I would, on 7 behalf of Ms. Martinez and Salt Lake CAP, move their admission. 8 9 HEARING OFFICER: Exhibit 7 will be received 10 in evidence. THE WITNESS: Thank you. 11 12 (Exhibit No. 7 was received.) 13 Q. (By Mr. Proctor) Ms. Martinez, do you have a 14 summary of your testimony you'd like to give? 15 Α. Yes. Salt Lake Community Action is a 16 community-based nonprofit organization that assists 17 low-income households in becoming self-sufficient 18 through the provision of direct services and advocacy. 19 Lifeline is a critical resource to provide 20 low-income households with access to affordable 21 quality telephone service. Salt Lake Community Action 22 recognizes the value of wireless service to the 23 low-income population, and believes it would be 24 advantageous to expand Lifeline access to quality 25 affordable wireless service.

Additionally, we recognize the importance of competition in the Lifeline prepaid wireless market to ensure low-income customers have access to a range of telecommunications services. We also believe it is important to maintain the integrity of the Lifeline program.

Considering the Lifeline prepaid wireless
market is new territory and we are faced with
comparing services that are fundamentally different,
we would prefer that the Commission first address the
issue of what it considers to be a minimum appropriate
Lifeline service.

In our testimony we address the issues we are fundamentally concerned with in this application, including the limited offer and our concern it could potentially lead to diminished quality of service. That communications from the Company to customers provide clear, fact-based information about the products and nature of offers.

And lastly, that the Company comply with the verification and eligibility process in Utah and pay their fair share for that process.

HEARING OFFICER: Thank you --

23

24 Q. (By Mr. Proctor) Does that conclude your 25 summary?

1 Α. Yes. MR. PROCTOR: Ms. Martinez is available for 2 3 cross. I apologize. HEARING OFFICER: No, that's quite all right, 4 5 Mr. Proctor. Thank you very much for your assistance. 6 And Ms. Bertelsen, do you have cross 7 examination? 8 MS. BERTELSEN: Yes, I do. Thank you. 9 CROSS EXAMINATION BY MS. BERTELSEN: 10 With regards to communications or advertising 11 0. 12 provided by Virgin Mobile, have you reviewed Virgin 13 Mobile's Lifeline advertising materials? 14 Α. Yes, we have. 15 0. And do all of the ETCs provide the one-page 16 fact sheet or information sheet? 17 Not that I'm aware of, with the exception of Α. TracFone. 18 19 0. Uh-huh. And are you aware of a reason why it 20 is required for the prepaid wireless Lifeline and not 21 for the landline? 22 Well, because of the nature of the offers. Α. 23 They get -- in our opinion they get very difficult -they're very difficult to understand. 24 25 And customers, especially in a situation

1	where they may be switching from a landline to a, you
2	know, to a wireless option, they we just want to
3	make sure that they're completely informed of what
4	they could potentially be giving up.
5	In addition to anything that they may be, you
6	know, additional features they may be receiving that
7	they don't already have.
8	Q. To make an informed decision?
9	A. Yes, to make an informed decision.
10	MS. BERTELSEN: Will you hold on a minute,
11	please?
12	THE WITNESS: Yes.
13	Q. (By Ms. Bertelsen) Can you please tell me
14	which of the Virgin Mobile materials the
15	advertising materials that you have reviewed?
16	A. I don't know off the top of my head. Let me
17	see if I have them here. When we had our
18	conference
19	Q. Uh-huh.
20	A the information that was provided at that
21	conference, those are all of the documents
22	Q. Oh, okay.
23	A that I looked at. I believe it's this
24	sorry. I don't have them in front of me.
25	Q. Okay.

1	MS. BERTELSEN: Thank you.
2	
	HEARING OFFICER: Does that conclude your
3	questions?
4	MS. BERTELSEN: Yes. Thank you, your Honor.
5	HEARING OFFICER: Okay, thank you.
6	Mr. Mecham?
7	MS. BERTELSEN: Thank you Ms. Martinez.
8	MR. MECHAM: Thank you.
9	CROSS EXAMINATION
10	BY MR. MECHAM:
11	Q. Ms. Martinez, did I understand you to say
12	that 250 minutes may not be adequate?
13	A. Yes.
14	Q. So does that mean that you're not advocating
15	this particular program?
16	A. Correct. Our position is that we, we don't
17	think this particular issue has been addressed the way
18	that it should that we feel it should have been at
19	both the FCC as well as the Commission level. Which
20	is that there hasn't been a real analysis of whether
21	or not it is comparable to unlimited.
22	And that's because we're looking at people
23	who are in places where they are truly, you know,
24	they're base they're trying to get their basic
25	needs met. Whether that be calling Workforce
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1 Services, Unemployment, other agencies to get basic 2 services met. 3 We're fearful that people -- because the enticement -- the entice -- the enticing appeal of 4 5 some of these prepaid offers may lead to a diminished 6 quality of service for some, some households. 7 Q. Okay. MR. MECHAM: 8 Thank you. 9 HEARING OFFICER: Does that conclude your 10 examination. Mr. Mecham? 11 MR. MECHAM: It does. 12 HEARING OFFICER: Thank you very much. 13 Mr. Proctor? 14 MR. PROCTOR: Yes, Judge, thank you. 0ne 15 redirect question, if I could. 16 REDIRECT EXAMINATION 17 BY MR. PROCTOR: 18 0. You were asked, Ms. Martinez, with respect to 19 the info sheet being requested of ETCs. And you 20 referenced the one that was required of TracFone? 21 Α. Correct. 22 Other than TracFone, at the present time are Q. there any other wireless ETCs operating in the State 23 74 of Utah? 25 Not that I'm aware of. Α.

1	Q. And so you're not asking for anything
2	different of Virgin Mobile that you would not ask of
3	any prepaid wireless?
4	A. Correct. In fact, we our position would
5	be to request the same of all ETC wireless providers.
6	MR. PROCTOR: Thank you very much,
7	Ms. Martinez.
8	HEARING OFFICER: Thank you Ms. Martinez.
9	You're excused.
10	Mr. Mecham?
11	MR. MECHAM: Thank you. And not that it's
12	any of my business, but was Ms. Martinez's
13	testimony
14	HEARING OFFICER: Received?
15	MR. MECHAM: received?
16	HEARING OFFICER: I believe it was. But if
17	we didn't do that, we it is received in evidence.
18	And just to be absolutely clear, Exhibits 1
19	through 7 have been received. I think it was. My
20	notes indicate it was. Thank you.
21	(Exhibit Nos. 1 through 7 were received.)
22	MR. MECHAM: I just missed it.
23	HEARING OFFICER: We want to make sure that
24	happens.
25	Mr. Meredith, please.

1	(Mr. Meredith was sworn.)
2	HEARING OFFICER: Mr. Mecham?
3	MR. MECHAM: Thank you.
4	<u>DOUGLAS D. MEREDITH</u> ,
5	called as a witness, having been duly sworn,
6	was examined and testified as follows:
7	DIRECT EXAMINATION
8	BY MR. MECHAM:
9	Q. Mr. Meredith, could you state your name and
10	business address for the record, please?
11	A. Yes. My full name is Douglas Duncan
12	Meredith. My business address is 547 South Oakview
13	Lane in Bountiful, Utah.
14	Q. And for whom are you appearing today?
15	A. I appear on behalf of the Utah Rural Telecom
16	Association, also known as URTA.
17	Q. And did you prepare prefiled direct
18	testimony, consisting of eight pages in the form of
19	questions and answers?
20	A. Yes, I did.
21	Q. And if I were to ask you those same questions
22	today as you sit here under oath would your answers be
23	the same?
24	A. This testimony was prepared in November 2010,
25	and in the passage of time there are three areas that
	67

1	require some supplemental follow on.
2	Q. With respect to that that was prefiled, do
3	you have any corrections in it?
4	A. No.
5	Q. Okay. So you have some supplemental this
6	was filed, I believe, in November of last year. You
7	have some supplemental areas, things that have
8	transpired between November and now, and a summary of
9	your testimony?
10	A. Yes, I do.
11	Q. Would you go forward?
12	A. Yes. First of all I would like to address,
13	your Honor, the three areas of supplemental
14	information that may give you some guidance regarding
15	this matter before you.
16	On page 6, line 124 of the testimony there's
17	a question identifying: "Why are you making a
18	distinction for rural areas?" And there is a
19	discussion about the requirements in Section 214(e)(2)
20	of the Act.
21	Subsequent to the filing of the testimony the
22	FCC has released a Notice of Proposed Rulemaking in a
23	matter regarding universal service. And with regards
24	to the requirements for voice services, the FCC is
25	giving guidance or is recommending that an ETC be
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required to provide service throughout the entire
 service area of the under -- of an underlying carrier
 or of the designated area.

This comes into play because there's a 4 5 specific requirement in Section 214, subpart (e)(5), 6 that requires that the service area for designation of 7 an ETC be identical to the study area of a rural 8 carrier, unless the FCC and the state commission make a determination otherwise based upon guidance from the 9 10 Joint Board -- the Federal-State Joint Board on 11 Universal Service.

The guidance that you receive from the Notice of Proposed Rulemaking in paragraph 98 suggests that the FCC would not be giving that guidance or that -making that determination in 2011. And so I believe the distinction is very critical now -- even more, more importantly critical for your, for your determination in this matter on page 6.

Turning to the second item, on page 7. On line 145 through 147 we have an identification of how much Lifeline's support has grown from 2009 to 2010. This is based upon a Federal-State Joint Board determination. Specifically they identify 1 billion in 2009 to a projected 1.4 billion in 2010. In fact the projection was, indeed, met in

1	2010. And in 2011 the projection for Lifeline
2	support or low-income support Lifeline in the
3	Lifeline prog in the I'm sorry. Lifeline
4	support in the low-income program is expected to
5	exceed \$1.4 billion based upon 2011 projections.
6	The third supplement deals with the question
7	starting on page on line 148, page 7. In this
8	particular situation the joint Federal-State Joint
9	Board has expressed some misgivings about the Lifeline
10	program with regards to the concern or the burden that
11	prepaid Lifeline service would have on universal
12	service obligations nationally.
13	With regards to this, a recent decision,
14	February 25, 2011, the FCC issued an order a
15	memorandum opinion and order in the matter of Partner
16	Communications Cooperative, where in that particular
17	order the FCC gives guidance that I believe is
18	applicable and should be noted.
19	That the Partner Communications Cooperative
20	wanted to receive additional support. And they
21	actually sought a forbearance from particular rules
22	related to a high-cost Universal Service Program. Not
23	the low-income program.
24	So the cor it's a corollary, not a direct,
25	not a direct determination by the FCC. But the
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guidance that the FCC gives in this particular order
 pertains to the public interest.

And in this particular order the FCC made a determination that it was not in the public interest to expand universal service for one carrier, because it would diminish the support received by other carriers or increase the contribution requirements by contributors to the overall Universal Service Fund.

9 The corollary is very direct. The
10 federal -- the FCC is seeking to cap total universal
11 service support at 2010 levels for all Universal
12 Service Programs.

As Lifeline support increases there is a decrease, or will be a decrease in receipt from other -- by other carriers throughout the, throughout the nation. And there was also a possibility, if that doesn't happen, that the contribution factor would occur.

In paragraph 12 of that particular order that I referenced the FCC gives guidance that that is not in the public interest. And it's essentially stepping back, if I might characterize it, as a -- before they thought that incremental designations for ETC were fine and in the public interest.

25

Now they believe -- or I see this particular

decision as a step backward. Recognizing that you
 can, indeed, die from a death from a thousand cuts.
 And so *de minimis* increases in universal service to a
 particular carrier, the FCC's judgment in February
 last month was that it was not in the public interest
 to grant that.

7 I believe those three areas of guidance from8 the FCC might be helpful to you, your Honor.

9 With regards to the summary, just briefly. Obviously there are some key threshold determinations 10 11 that your Honor has to make, the Commission has to 12 make, in this particular proceeding. There's a 13 requirement of a public interest test, as we have 14 identified in Section 214(e)(2.) There's the 15 requirement of what the exact service area is for 16 rural areas of the state in Section 214(e)(5.)

And in addition to that there are public interest requirements for contributions. Whether the -- all of the obligations, the applicable taxes and fees that are applied to traditional providers of Lifeline service should apply to prepaid wireless service.

In total, all of those determinations -- or those items should be met -- or should be examined to see if they're met for a particular wireless carrier Г

1	that's offering prepaid service.
2	Prepaid wireless service is unique. It's a
3	fairly new item nationally. The it's a very
4	interesting model, because Sprint is not in the is
5	not a nonprofit. It's in the business for making
6	money.
7	And it believes that giving away a certain
8	portion of minutes to low-income customers and
9	receiving a subsidy therefrom is in their financial
10	interest. Either by providing the service based upon
11	the subsidy that they receive, or by using that
12	subsidy using that initial service as a loss leader
13	and getting low-income customers to buy additional
14	services and offerings that they make.
15	So all of those need to be considered when
16	making the public interest determination. Thank you.
17	Q. Does that conclude your summary and
18	supplemental testimony?
19	A. Yes.
20	Q. Thank you.
21	MR. MECHAM: I would move the admission of
22	Mr. Meredith's testimony, which is sponsored by Utah
23	Rural Telecom Association and should be marked as
24	Exhibit 8 in this proceeding.
25	HEARING OFFICER: It's received in evidence.
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1	MR. MECHAM: Thank you.
2	(Exhibit No. 8 was received.)
3	MR. MECHAM: Now, in his supplemental
4	testimony he referred to a rather lengthy Notice of
5	Proposed Rulemaking.
6	HEARING OFFICER: Seven hundred and some
7	pages, I think.
8	THE WITNESS: Yeah.
9	MR. MECHAM: Well, mine printed out I think
10	289. Two hundred and sixty-nine.
11	HEARING OFFICER: Okay.
12	MR. MECHAM: But he only referred to
13	paragraph 98 in that particular Notice of Proposed
14	Rulemaking. And he also referred to an order
15	issued or released February 25th in Docket WC
16	No. 05-337, also numbered FCC 11-26.
17	I have copies of the order. I only have one
18	copy of this. I don't given the fact that he used
19	them I would ask that you take administrative notice
20	of them.
21	HEARING OFFICER: Is there an objection to
22	that?
23	MR. PROCTOR: Well, it's not an objection so
24	much as a matter of just practically. I know that the
25	rulemaking is 700-and-something pages. And
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1	HEARING OFFICER: At least that's how it
2	looked on my computer screen as I examined it.
3	MR. PROCTOR: Yeah. And I don't know that
4	we're sophisticated enough to be able to create a
5	record for appeal that includes electronic documents
6	and not some paper backup.
7	MR. MECHAM: Well
8	MR. PROCTOR: I'm wondering if you'd submit
9	that, and then but I don't want 700 pages of paper.
10	MR. MECHAM: I really do think it's a mere
11	269 pages. But I'm happy to submit it. Heaven knows
12	I don't need it. But we really only referred to
13	paragraph 98 in it, so I would
14	HEARING OFFICER: Right. The Commission will
15	take administrative notice of it.
16	Let me also note, Mr. Mecham, that my
17	inclination is to offer you the opportunity to brief
18	this matter. And it would be helpful to the
19	Commission if in your brief you would cite the both of
20	these, and present them and whatever argument you
21	think should apply to them.
22	And that would be another way for the
23	Commission to consider that.
24	MR. MECHAM: Right. And I'd be happy to do
25	that. And I'd also be happy to supply the court
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1 reporter with a copy of each. 2 HEARING OFFICER: That's fine. We'll accept 3 those. MR. MECHAM: 4 Okay. 5 HEARING OFFICER: Appreciate you doing it. 6 (Pause.) 7 MR. MECHAM: Mr. Meredith is available for cross examination. 8 9 HEARING OFFICER: Thank you. Ms. Schmid? 10 MS. SCHMID: No questions. 11 12 HEARING OFFICER: Mr. Proctor? 13 MR. PROCTOR: Yes, I do. And it's based 14 largely on the supplemental testimony. I received a 15 copy at least of the documents yesterday, I believe. 16 Is that correct, Mr. Mecham? 17 MR. MECHAM: It is. 18 MR. PROCTOR: So I do have a couple with 19 respect to his supplemental testimony. So I, I 20 apologize for announcing earlier that I had none. 21 HEARING OFFICER: No, that's quite all right. 22 CROSS EXAMINATION BY MR. PROCTOR: 23 Mr. Meredith, I want to bring your concerns 24 0. 25 about prepaid wireless and the subsidy or loss leader 76

1	character of it to a granular level of members of the
2	URTA. Now, does Virgin Mobile's application for this
3	area in which it will provide prepaid wireless
4	Lifeline service overlap any of the service
5	territories for the ILECs?
6	A. Based upon the information I have reviewed,
7	it overlaps certain exchanges of the URTA members.
8	Q. Can you give me an example of which exchange
9	would be overlapped by Virgin Mobile's wireless
10	Lifeline?
11	A. Yes. If Sprint offers service in Castle Dale
12	exchange, which is in Emery County, that is an
13	exchange that Emery Telephone Cooperative serves. But
14	Emery also serves more than just the Castle Dale
15	exchange.
16	Q. Can you tell me how many Lifeline customers
17	the Emery Telephone Cooperative is serving in Castle
18	Dale, Utah?
19	A. No, I, I do not have that information here.
20	Q. Can you tell me how many Lifeline customers
21	Emery Telephone Cooperative has throughout its service
22	territory?
23	A. No, I do not have that information.
24	Q. Can you tell me how many Lifeline customers
25	are being served by all of the members of URTA?
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1	A. No, I do not have that information. But I do
2	know I believe that information is filed at the
3	Commission level. So the Commission certainly could
4	look at that. Look at that information.
5	Q. But as we sit here today, then, is URTA's
6	concern that a low-income customer may get a wireless
7	Lifeline benefit in Castle Dale, Utah and URTA doesn't
8	want that to happen?
9	A. No. My testimony is that there are certain
10	thresholds that need to be met. There needs to be a
11	public interest standard established and evaluated as
12	to whether a prepaid wireless service in a rural area
13	of Utah actually meets that standard.
14	There also needs to be a determination
15	whether the carrier needs to provide service
16	throughout the service area. The NPRM goes so far to
17	say that the FCC is seeking to implement a rule that
18	would require an ETC to go to other providers of voice
19	service so that they can provide service throughout
20	the entire area.
21	And they even give the example of using
22	satellite providers as a partner to provide service
23	throughout the entire service area. The critical
24	issue so those two, those two standards or those
25	two thresholds need to be met.

1	After that the my testimony specifically
	After that, the my testimony specifically
2	states that they should be required to pay all of the
3	applic all of the fees and the surcharges that
4	apply to regular telephone wireline telephone
5	carriers when they provide voice service.
6	And at this point, that is not the that is
7	not being done. Typical examples of that would be
8	Poison Control, that has a particular statute asso
9	a particular act or a bill up at the up on the Hill
10	that might address that.
11	But there's also the telephone for the
12	hearing impaired surcharge that is not being evaluated
13	in that.
14	Q. Well I'll ask you, Mr. Meredith. Does the
15	hearing impaired telecommunications system,
16	represented as relay, does that apply to a wireless
17	handset?
18	A. Does it apply, meaning
19	Q. Does it work?
20	A does it work? I don't know. But that's
21	not a material question, because the question is this:
22	If a Lifeline customer or a customer gets a Lifeline
23	service from a prepaid wireless, then the contribution
24	that would have gone to the telephone relay service is
25	not going to the telephone relay service. And the
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1	telephone relay service budget will be affected.
2	Q. Does Emery Telephone Cooperative provide
3	relay service within its service territory?
4	A. I do not know. It provides whatever is
5	required and whatever is whatever services they
6	offer. I have not looked at that.
7	Q. Does Emery Telephone Cooperative receive any
8	subsidy from the Universal Service Fund, either
9	federal or state?
10	A. Yes, they do.
11	Q. Which ones do they receive?
12	A. They receive high-cost universal service
13	support from the federal Universal Service Programs.
14	Q. Is Emery Telephone Cooperative an ETC?
15	A. Yes, it is.
16	Q. But you do not know whether they actually
17	provide a Lifeline service?
18	A. I have not I did not check to see that. I
19	would, I would be very surprised if they did not also
20	receive Lifeline low-income support from the federal
21	program. But subject to check, I, I cannot
22	affirmatively state that now.
23	MR. PROCTOR: Thank you Mr. Meredith.
24	Nothing further.
25	MS. BERTELSEN: May I?
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HEARING OFFICER: Pardon me just a moment. 1 2 Ms. Bertelsen? 3 MS. BERTELSEN: Thank you, your Honor. CROSS EXAMINATION 4 5 BY MS. BERTELSEN: Mr. Meredith, good morning. 6 Q. 7 Α. Good morning. 8 0. In your direct testimony, on page 7. 9 Beginning on line 138 you discuss the Federal and 10 State Joint Board and their recommended decision that 11 was released November 4, 2010, in CC Docket No. 96-45. 12 And you make an inference about the Board's statement. 13 And you state: 14 "That the Joint Board members have 15 misgivings about the free Lifeline 16 program that Virgin Mobile, TracFone, 17 and others are offering." 18 My question to you is, are you aware that 19 Commissioner Landis of Indiana is a member of the 20 Joint -- the Federal and State Joint Board? 21 Α. Yes. I am. 22 And are you aware that Commissioner Landis Q. conducted questioning in Virgin Mobile's ETC 23 proceeding in Indiana? 24 25 I'm not aware of that, but I wouldn't be Α. 81

1 surprised.

Q. And the Indiana Public Service Commission
approved Virgin Mobile's application in October 2010,
just prior to this November 4th recommended decision.

5 And then also, are you aware that the FCC 6 designated Virgin Mobile as an ETC in five additional 7 states in December 2010, which is after the -- this 8 Joint Board recommended decision?

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A. Yes, I am.

Q. Thank you. And then turning to page 5,
beginning on line 109. You discuss the TracFone
proceeding. And the fact that the Commission
initially determined that they did not have to pay
into the State Universal Service Fund. And that URTA
was seeking reconsideration.

And as you know, URTA's petition for reconsideration was granted. And is it your understanding that the reconsideration is limited primarily to the issue of TracFone's obligation to pay into the state USF Fund?

A. I don't know about the limitation. I know
they're speaking specifically to the State Universal
Service Fund. I'm not -- I can't recall whether it
expands to other applicable surcharges.

Q. Well, the Commission declined to make the

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1	payment of 911 tax and other public service program
2	surcharges a condition to the ETC designation.
3	MS. BERTELSEN: Thank you. That's all I
4	have.
5	HEARING OFFICER: Redirect, Mr. Mecham?
6	MR. MECHAM: No redirect. Thank you.
7	HEARING OFFICER: Thank you very much,
8	Mr. Meredith.
9	THE WITNESS: Thank you.
10	(A discussion was held off the record.)
11	(A recess was taken from 10:58 to 11:13 a.m.)
12	HEARING OFFICER: Ms. Divelbliss, before we
13	broke, I
14	Can you hear me? Thank you.
15	Ms. Divelbliss, before we broke for a few
16	minutes I mentioned a couple of questions that I would
17	have for you after the break. I'd like to invite you
18	to address those now. I apologize that this is a
19	little unusual. You're still under oath.
20	And I'll allow limited examination on what I
21	ask if counsel feel a need for that, with
22	Ms. Bertelsen going last among those who would have
23	questions.
24	The first subject area relates to your
25	testimony about the Company's practice in at least one
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1 other jurisdiction of providing a customer list to the regulator, or some entity with verification 2 3 responsibilities, so that comparisons can be made in 4 search of customers that might be receiving more than 5 one Lifeline-type service. And so I'd -- if you wouldn't mind, I'd like 6 7 you to elaborate on that and to indicate whether 8 that's -- you were addressing specifically the setting 9 of prepaid services. And if so, how is the customer 10 list developed and what kind of information is on it. So a very complex, compound question, but it's really 11 12 a subject area that I'm asking you to address. 13 MS. DIVELBLISS: Absolutely, your Honor. Ιf 14 I could actually refer to Exhibit 1 of my supplemental 15 I don't know if you have it in front of testimony. 16 It's a copy -- it's a draft copy of the customer you. 17 application provided by Assurance Wireless by Virgin 18 Mobile. 19 HEARING OFFICER: Uh-huh. 20 MS. DIVELBLISS: I'd like to just walk you 21 through it very quickly to just, you know, really 22 apprize the Commission of the type of information that 23 Virgin Mobile collects in connection with its Lifeline 24 applications. And really to attempt to address any 25 misconceptions or misgivings about prepaid wireless,

1	you know, and/or prepaid wireless Lifeline.
2	The application let me step back and just
3	mention that the application, in addition to Virgin
4	Mobile's vast array of Lifeline advertising materials,
5	have been carefully reviewed by a number of Offices of
6	Consumer Services in a number of states. Washington,
7	Indiana, Mississippi, all come to mind immediately.
8	So, you know, we receive signoff and in some
9	cases input on the application. So Section A,
10	Personal Information, collects the customer's name,
11	address, as the absolute first piece of information.
12	The reason we do that is to ensure that we are
13	strictly adhering to the one Lifeline discount per
14	household requirement.
15	In order to adhere to that requirement we
16	obviously need to collect address information. And so
17	in the context of our Lifeline program the customer
18	must provide that information. That information, the
19	address itself is verified against U.S. Postal Service
20	address software.
21	So Solix, who a company that provides some
22	third-party administrative services for the Company
23	looks at every customer address to ensure it is, in
24	fact, a valid U.S. postal address. Solix then takes
25	the additional step of ensuring that that address is
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not currently in use by a Virgin Mobile customer. And
 all that is public information, so I'll put that out
 there.

So that's the address portion. Section B, Program-Based Eligibility. For each state we tailor the application. You'll see at the top it says "State Name," in brackets. So the application gets tailored to list only the programs that would render a resident eligible in that particular state.

For this particular application it refers to providing a copy of program identification. So there are some states that in fact under their rules, regulations, or otherwise require documentation to be submitted.

We are set up to collect that documentation and to review it to ensure the customer's eligibility based on program participation.

18 Section C goes to income-based eligibility. 19 This is a state that I happen to know looks to 20 135 percent of the federal poverty guidelines. The 21 customer is asked to indicate, you know, that they 22 fall within the appropriate bands, and then to attach 23 proof of income. And we provide very clearly to the 24 customer the type of documentation that would suffice. 25 Section D, the signature, serves as the

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1	certification. The self-certification we've been
2	discussing. Now, this would be an example of a state
3	that doesn't necessarily accept self-certification for
4	purposes of program eligibility.
5	They do accept self-certification for, for
6	example, the customer's certification that they have
7	only one this is the last paragraph of that
8	certification:
9	"I understand that Lifeline is only
10	available for one landline or wireless
11	phone per household."
12	The customer is self-certifying to that under
13	penalty of perjury. You know, above that in the third
14	paragraph the customer commits to verifying continuing
15	eligibility as required. And the customer also
16	commits that if they're no longer eligible, they'll
17	contact the Company.
18	And so there are these various, you know,
19	requirements and certifications the customer must sign
20	under penalty of perjury and attest to. So that's
21	really a copy of the application.
22	So going back to your specific question, you
23	know, how do we create the list. Well, again, we
24	absolutely collect address information. We'd be
25	required to do so. It's just, it's fundamental to
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1 providing Lifeline and ensuring that only one discount is being provided per household by the Company. 2 3 We create a list by simply generating an 4 Excel spreadsheet for the customers in that particular 5 state. And the spreadsheet would list, you know -- I 6 think Mississippi was the first state to require this, 7 and they had a very specific list of information. 8 Pretty basic information because obviously 9 you can get into, you know, confidential customer 10 information, CPNI, information of that sort. 11 HEARING OFFICER: Uh-huh. 12 MS. DIVELBLISS: So names, address. And 13 frankly that may suffice for running the type of 14 match, because it's really that address that should be 15 focused on in looking for the match. You know, making 16 sure that there's only one discount for that 17 particular address. So that's a really long-winded 18 response to your question. 19 HEARING OFFICER: Any information about 20 number of adults in the household or anything like 21 that that's on these lists in other jurisdictions, as 22 far as you are aware? 23 MS. DIVELBLISS: Number of adults, meaning --24 are you getting at whether or not more than one adult 25 in a household could receive a Lifeline discount?

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1	HEARING OFFICER: Well, whether they could or
2	not, just whether the information allows the verifier
3	to determine what the risk is of more than one adult
4	receiving service, Lifeline service in that setting.
5	So I'm just, I'm just curious as to
6	MS. DIVELBLISS: So
7	HEARING OFFICER: whether, whether you
8	know that or.
9	MS. DIVELBLISS: That's not information that
10	we request specifically. I will say that, again, for
11	Virgin Mobile's Lifeline program specifically, we will
12	not issue more than one account to an address.
13	HEARING OFFICER: Uh-huh.
14	MS. DIVELBLISS: So if there were ten adults,
15	you know, living in a group housing situation, we're
16	constrained by Federal Rules to provide only one
17	discount. So that's the, that's really the best I can
18	answer your question.
19	HEARING OFFICER: Okay.
20	MS. DIVELBLISS: We otherwise don't inquire
21	as to the makeup of a particular household.
22	HEARING OFFICER: Thank you. And then
23	regarding the fees, whichever ones Virgin Mobile
24	believes apply. Are those just simply priced into
25	the, into the card, or are they recovered on some
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1	separate basis? Some discrete basis?
2	MS. DIVELBLISS: Virgin Mobile pays those
3	fees out of its general revenues. With the exception
4	of states that have enacted point-of-sale statutes
5	that would permit a retailer to collect those fees at
6	the point of sale.
7	Whether or not you asked whether they're
8	priced into the service. Prepaid wireless is
9	extremely competitive. And so they certainly, to my
10	knowledge, are not explicitly priced in. For example,
11	we wouldn't add an additional \$0.07 to a Utah
12	customer Utah customer's pricing based on a
13	particular fee in the State of Utah.
14	I mean, we obviously are a national service,
15	and so our pricing is across the board.
16	HEARING OFFICER: Uh-huh.
17	MS. DIVELBLISS: So they're not explicitly
18	priced in in that manner.
19	HEARING OFFICER: Thank you. Any questions
20	based on mine?
21	MR. MECHAM: No.
22	MS. SCHMID: No.
23	MS. BERTELSEN: Yes.
24	HEARING OFFICER: Let me just determine, is
25	there none from other parties?
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1 Okay Ms. Bertelsen, then you may conduct some 2 limited redirect. 3 MS. BERTELSEN: Just a clarification. HEARING OFFICER: Sure. 4 5 ELAINE DIVELBLISS, 6 called as a witness, 7 having previously been duly sworn, was examined and testified as follows: 8 9 FURTHER REDIRECT EXAMINATION BY MS. BERTELSEN: 10 11 0. Ms. Divelbliss, you mentioned CPNI. For the 12 record, will you -- for those who don't know what CPNI 13 is? 14 I don't know if I --Α. 15 0. Customer proprietary? 16 Α. Proprietary --17 0. Network information? 18 Α. Customer proprietary network information. 19 It's information that the telecommunications carrier 20 associates with the customer specifically. And that's 21 information that, under federal statute, we're not 22 permitted to provide outside of the Company. 23 So there are privacy restrictions Q. 24 requirements. And then everything you've said, 25 though, just to confirm, is subject to privacy

1	requirements, obviously?
2	A. Right. To the extent we would provide, for
3	example, a customer list to a particular state that
4	was able to use it. We're not going to provide it
5	presumably just so the state can review it at will.
6	But if it were to be used for the purpose
7	that, you know, we've discussed, it would be subject
8	to whatever confidentiality protections could be put
9	in place.
10	HEARING OFFICER: Thank you.
11	I believe we've received all of the evidence
12	that the parties intend to present. The final subject
13	for us to address today, as far as I'm aware, is the
14	briefing schedule.
15	I propose that what I would like to do is
16	provide the parties an opportunity, if they choose to,
17	to file a brief of ten pages or less by April the 7th,
18	which is a Thursday. With a reply brief of five pages
19	or less, if a party chooses to, due on April 14th.
20	Any questions about that or objections to
21	that process?
22	Are there any other matters we need to take
23	up before we adjourn? Thank you very much for your
24	participation today. We're off the record.
25	(The hearing was concluded at 11:25 a.m.)
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1	CERTIFICATE
2	STATE OF UTAH )
3	) ss. COUNTY OF SALT LAKE )
4	
5	This is to certify that the foregoing proceedings were taken before me, KELLY L. WILBURN, a Certified Shorthand Reporter and Registered Professional
6	Shorthand Reporter and Registered Professional Reporter in and for the State of Utah.
7	That the proceedings were reported by me in
8	stenotype and thereafter caused by me to be transcribed into typewriting. And that a full, true,
9	and correct transcription of said proceedings so taken and transcribed is set forth in the foregoing pages,
10	numbered 1 through 92, inclusive.
11	I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the
12	cause of action, and that I am not interested in the event thereof.
13	SIGNED ON THIS 20th DAY OF March, 2011.
14	
15	Kelly L. Wilburn, CSR, RPR Utah CSR No. 109582-7801
16	Utah CSR No. 109582-7801
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