

SLCAP Exhibit No. \_\_\_\_\_

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

<b>In the Matter of the Petition of TracFone</b>	)	<b>Docket No. 09-2511-01</b>
<b>Wireless, Inc. for Designation as an Eligible</b>	)	<b>Testimony of</b>
<b>Telecommunications Carrier in the State of</b>	)	<b>Salt Lake Community</b>
<b>Utah for the Limited Purpose of Offering</b>	)	<b>Action Program</b>
<b>Lifeline Service to Qualified Households</b>	)	

**TESTIMONY OF**

**SONYA L. MARTINEZ**

**ON BEHALF OF**

**SALT LAKE COMMUNITY ACTION PROGRAM**

**April 5, 2010**

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 **A.** My name is Sonya L. Martinez. My business address is 764 South 200 West, Salt  
4 Lake City, Utah.

5 **Q. By whom are you employed and in what capacity?**

6 **A.** I am employed by Salt Lake Community Action Program as an Advocate for low  
7 income people. Salt Lake Community Action Program (SLCAP) is a nonprofit  
8 organization that assists low income households in becoming self sufficient  
9 through the provision of direct services and advocacy. I hold a Masters Degree in  
10 Social Work and am licensed in the State of Utah as a Certified Social Worker. I  
11 work primarily as an advocate on low income housing issues. I have testified  
12 before the Utah State Legislature and various City Councils regarding housing  
13 policies. I have worked directly with the low income population as a social  
14 worker in various settings, including the Division of Child and Family Services,  
15 Salt Lake City School District, and the University of Utah Counseling Center.

16  
17 **PURPOSE AND RECOMMENDATIONS**

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19 **Q: What is the purpose of your testimony?**

20 **A:** The purpose of my testimony is to respond to the Application of TracFone  
21 Wireless, Inc. (TracFone or Company) to the Utah Public Service Commission  
22 (PSC or Commission) for designation as an Eligible Telecommunications Carrier  
23 (ETC) for the limited purpose of providing Lifeline service for qualified

24 households. Salt Lake Community Action Program recognizes the Safelink  
25 Wireless (Safelink) offering that TracFone is proposing as a Lifeline program for  
26 low income households may provide a valuable service for some low income  
27 Utahans. However, SLCAP finds that the proposal raises concerns in several  
28 areas and believes that the Commission must address these issues prior to granting  
29 TracFone's requested ETC designation.

30

31 **Q: Can you outline those concerns?**

32 **A:** Yes. SLCAP believes it is important to maintain the integrity of the telephone  
33 Lifeline program that provides an essential service to low income households in  
34 Utah and throughout the country. One of the difficulties in this docket is that  
35 we're entering new territory by comparing services that are very different.  
36 TracFone is requesting the ability to become certified to offer a product that is  
37 substantially different from the Lifeline services that have been offered in the past  
38 and so we are essentially trying to compare incomparable products. While we  
39 would prefer for the Commission first to make a determination of what it  
40 considers to be an appropriate wireless Lifeline product, we understand that  
41 TracFone is interested in pursuing its application in a timely manner.

42

43 Fundamentally, the issues we are most concerned with are as follows:

- 44 1) the limited number of free minutes that are available to the Lifeline recipient;  
45 2) communications from the Company and the marketing of the product; and  
46 3) the certification and verification process to determine eligibility. Related to

47 this latter point is how TracFone could pay the state to participate in its eligibility  
48 certification when it does not pay into the fund that pays for the current state  
49 process.

50 **Q: What is your recommendation to the Commission?**

51 **A:** We recommend that if the Commission approves the TracFone Application, that it  
52 do so with the following conditions: 1) increase the number of minutes available  
53 to Safelink Wireless Lifeline participants; 2) require the Company to clearly state  
54 on its communications, regardless of the format, the nature of the offering and the  
55 cost of adding minutes; and 3) require the Company to utilize the state's  
56 eligibility and certification process while paying an appropriate amount for that  
57 service.

58  
59

60 **Q: What is the significance of telephone Lifeline services to low income**  
61 **households?**

62

63 **A:** The federal government has recognized the value of telephone Lifeline service  
64 and since at least 1985 has provided programs to ensure accessible and affordable  
65 telephone services are available to low income households. According to  
66 Universal Service Administrative Company (USAC), "The Telecommunications  
67 Act of 1996 reiterated the importance by including the principle that consumers in  
68 all regions of the nation, including low income consumers . . . should have access  
69 to telecommunications and information services." (Information available at  
70 <http://www.usac.org/li/about/default.aspx>)

71

72 The purpose of Lifeline was to provide enhanced value to all customers by  
73 providing access to as many people as possible, specifically to the low income  
74 population and households residing in rural and other high cost areas. Telephone  
75 service was recognized as an essential tool for maintaining health and safety as  
76 well as contributing to commerce and for this reason was subsidized by all  
77 telephone users as a valuable service to the community. The State of Utah also  
78 recognized the importance of providing affordable service by adding a state  
79 contribution to the federal discount. This \$3.50 per month state component was  
80 initially a separate line item surcharge but was incorporated as part of the Utah  
81 Universal Service Fund in legislation in 1997.

82

83 **Q: In your experience, how do low income households utilize Lifeline telephone**  
84 **services?**

85  
86 **A:** Telephone service truly provides a Lifeline for many people. In addition to  
87 providing a way to communicate in an emergency situation, many people who are  
88 elderly, disabled, and/or somewhat confined to their homes often utilize their  
89 telephone service as a way to stay in contact with family and friends. Sometimes  
90 this is their primary contact with the outside world. Families may call on a daily  
91 basis to check on an elderly family member. Individuals utilize their telephone to  
92 schedule doctor appointments and job interviews. Working families with children  
93 may utilize their phones to stay in contact while parents are working.

94

95 In this day and age, telephone service has extended beyond the realm of simple  
96 two way communication between people. Much business is done over the phone

97 and many who access public services must do so via the telephone or Internet. For  
98 example, an individual applying for food stamps, Medicaid, Medicare, cash  
99 assistance, or unemployment must complete a written application and a telephone  
100 interview with the Department of Workforce Services.

101

102 Due to the current economic situation our country is facing, SLCAP is serving  
103 many individuals who are finding themselves without employment and little or no  
104 means to survive. Public services are an important means of survival and take a  
105 great deal of time to navigate and maintain. Much of that time is spent on the  
106 telephone. Based on correspondence with the Assistant Director of the  
107 Department of Workforce Services, as of February 2010, the average call wait  
108 time was approximately nine minutes. The average total wait and talk time was  
109 approximately sixteen minutes and a new application telephone interview can last  
110 approximately twenty to forty minutes. As of March 2010, an individual  
111 accessing unemployment can expect an average call wait time of eleven minutes  
112 and average talk time for a new application can last ten to twelve minutes.  
113 Additionally, recipients of unemployment must call in to an automated hotline  
114 every week on Sunday night or early Monday morning and complete a telephone  
115 questionnaire.

116

117 **Q: Are there other ways households utilize their telephone lines?**

118 **A:** Yes. Telephone service has changed in recent years to allow access to the  
119 Internet. The Internet is an important communication tool which has changed the

120 way people communicate, shop, and conduct business. Individuals with traditional  
121 landline telephone service can access dial- up or broadband Internet access  
122 through their telephone line. Dial- up Internet is the most affordable and  
123 accessible form of Internet access for low income households and requires an  
124 active landline dial tone.

125

126 **Q: What is a typical telephone Lifeline offering?**

127 **A:** A typical telephone Lifeline offering is a discount on regular telephone service.  
128 In Utah, this has been primarily provided through regular landline service offered  
129 by traditional incumbent carriers such as Qwest and local rural providers. A  
130 regular telephone offering consists of basic service and unlimited incoming and  
131 outgoing local telephone calls. A basic landline also provides access to the  
132 Internet. Additional services such as long distance, caller ID, call waiting, and  
133 voice messaging are extra services. While they can be important tools and an  
134 added convenience, these extra services were not available at the outset of  
135 Lifeline and were not considered to be essential tools to maintaining health and  
136 safety.

137

138 **Q: What are the costs of typical Lifeline telephone service?**

139 **A:** The cost of Lifeline service varies throughout the state depending on whether one  
140 lives in an area that requires Extended Area Service (EAS) and depending on the  
141 local taxes. According to USAC, Qwest is the largest provider of telephone  
142 Lifeline service in Utah. In communication with Jim Farr, Staff Advocate for the

143 Qwest legal department in Utah, he described the basic telephone Lifeline  
144 discount as \$13.36 per month consisting of a \$6.36 credit against the federal  
145 access charge and an additional \$7.00 credit (\$3.50 from the state USF and a  
146 \$3.50 federal USF credit) against the \$12.00 monthly basic fee for a residence  
147 line. Thus, the bill would be as follows:

148 In an area without EAS, charges could be less than \$6.50;

149 In an urban area where EAS is required, charges could be about \$9.00; and

150 In a rural area where EAS is required, charges could be about \$7.50.

151 The addition of taxes, depending on the area the customer lives in, and fees could  
152 bring a basic bill into the \$10.00 per month range for unlimited local service.

153

154 **Q: Are there concerns with the possibility of diminished quality of Lifeline**  
155 **services provided to low income households through the Safelink offering?**

156

157 **A:** Yes. The Federal Communications Commission's (FCC) ETC Requirements  
158 Order 96-45 requires a carrier, before ETC designation, "demonstrate that it offers  
159 a local usage plan comparable to the one offered by the incumbent LEC."  
160 Safelink's offering of 67 minutes of service would average out to approximately  
161 two to three minutes per day each month. Based on our experience at SLCAP,  
162 most people do not utilize their telephones at this minimal rate. In fact, as  
163 illustrated in the timeframes above, an individual could exhaust all of their  
164 monthly Safelink minutes in one day of calls to the Department of Workforce  
165 Services. Safelink's offering would provide low income households with a very  
166 limited number of minutes. In comparison to unlimited outgoing and incoming



167 local calls on a traditional landline offering, Safelink's service is not comparable  
168 and 67 minutes are wholly inadequate.

169

170

171 **Q: Is there an advantage to receiving free telephone service?**

172

173 **A:** Yes, but it's only free for the first 67 minutes. Further usage, except emergency  
174 service through a 911 call, requires purchase of additional minutes to utilize the  
175 phone. The minutes can be purchased at the rate of about \$0.20 per minute, but  
176 cannot be purchased in increments of less than \$19.99 plus applicable taxes.

177

178 **Q: What is the problem with purchasing more minutes?**

179

180 **A:** The goal of Lifeline is to ensure accessibility and affordability of quality  
181 telephone service. The cost associated with purchasing additional Safelink  
182 minutes potentially makes the service unaffordable and inaccessible to low  
183 income households. Many low income people may find it difficult to come up  
184 with the funds to purchase additional minutes at a rate that costly and may lose  
185 the ability to use their phone at any given moment in the month. Even with a  
186 purchase of more minutes, the minimum offering provides only an additional 100  
187 minutes of air time, meaning that for about \$20 you still get a substantially  
188 reduced number of minutes compared to a traditional Lifeline service which  
189 would cost approximately half that amount. TracFone suggests that a relatively  
190 small number of Safelink customers opt to purchase additional minutes. It is not

191 clear how many Safelink customers elect to turn off their phones to avoid using  
192 minutes or run out of minutes all together.

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196

197 **Q: How does that compare with products offered by other providers?**

198  
199 **A:** Qwest offers a measured service which allows 180 minutes of outgoing calls and  
200 an unlimited number of incoming monthly minutes. Outgoing calls in excess of  
201 the 180 minutes are charged a mere \$0.02 per minute. The cost of this service,  
202 less the Lifeline discount, is \$2.23 per month plus EAS where required and the  
203 applicable taxes, fees and surcharges, which could bring the total to  
204 approximately \$5.00 per month. Such an offering would allow customers more  
205 access to telephone service at a considerably lower cost. SLCAP testified during  
206 the 2009 Utah Legislative Session that Qwest's 180 outgoing minutes offering  
207 was not adequate service. Safelink's offering is considerably less than this  
208 amount.

209

210 According to their website (information available at <http://www.net10.com/>),  
211 TracFone's own Net 10 prepaid wireless is offering customers the opportunity to  
212 purchase a phone and 200 minutes for \$20.00. Customers also receive 300 bonus  
213 minutes just for activating their phone. Additional minutes can be purchased at  
214 \$0.10 a minute in increments no less than 200 minutes. Additionally, Boost  
215 Mobile (information available at <http://www.boostmobile.com/>) and Virgin  
216 Mobile (information available at <http://www.virginmobileusa.com/>) provide

217 prepaid offers at \$0.10 a minute. While we feel these are still inadequate levels of  
218 service, Net 10, Boost Mobile, and Virgin Mobile provide prepaid service at half  
219 the rate of Safelink's service.

220

221 **Q: Do you have concerns about the methods of communication that TracFone**  
222 **plans to use to advertise this product to low income customers?**

223

224 **A:** Yes, from what we can see in the various advertisements provided by TracFone,  
225 the emphasis is on “free phones and free minutes”. We are concerned, as we  
226 have previously stated, that the “free” portion is minimal and not appropriate for  
227 all populations. Without trying to be overly protective of the low income  
228 population, it seems obvious that if you find yourself strapped financially, it is  
229 perhaps more likely that the offer of a “free” product may be more enticing and  
230 the long term costs may be overlooked for the short term benefits. The  
231 advertisements do not appear to provide any type of buyer beware information.  
232 We would prefer to see advertising that clearly states what is being offered, such  
233 as the limitation of minutes and the cost associated with adding minutes.

234

235 According to the FCC's Telephone Subscribership Report (information available  
236 at [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-296121A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-296121A1.pdf)), as of  
237 2009, approximately 97% percent of the households in Utah subscribe to  
238 telephone service. The subscribership rates are similar when broken down by  
239 income level. We can assume, by evaluating the data, a majority of low income  
240 households currently have telephone service. In contrast, the Lifeline participation  
241 rate in Utah is in the range of 10-20%. In a conversation with TracFone

242 representatives, they reported a 200% increase in Lifeline participation in states  
243 where Safelink is being offered. Aggressive marketing is likely to entice a  
244 number of customers to switch from their traditional service to Safelink's service,  
245 where they are likely to spend more for the latter. Therefore, it is questionable  
246 whether TracFone's use of Federal Universal Service Funds is more beneficial to  
247 TracFone than the low income population.

248  
249 **Q: Is this offering suitable for all populations?**

250  
251 **A:** No. It might be an excellent option for a limited population base such as those  
252 who are transient or currently homeless as typical Lifeline service is provided at  
253 an address. We understand that the issue regarding address requirements is  
254 currently under consideration at the FCC. We support changes that increase  
255 availability of this type of service to those who have no stable address or where  
256 multiple people live separately in a single setting such as a shelter or group home.  
257 While mobility may be an added benefit to some low income individuals, it may  
258 also be a detriment to others. If TracFone is the sole telephone in the household,  
259 only the individual carrying the mobile phone will be able to utilize the service.  
260 Other members of the household, such as children or elderly, may not have access  
261 to necessary Lifeline services including emergency services.

262

263 **Q: What if a customer decides Safelink's service does not adequately meet their**  
264 **needs?**

265  
266 **A:** If the customer determines Safelink service does not meet their needs, they may  
267 cancel their service and elect to have the Lifeline benefit removed. Additionally,

268 the customer may elect to have their Lifeline benefit reinstated on a traditional  
269 incumbent carrier service, but would incur a reconnection fee.

270

271

272

273 **Q: Is there currently a system in Utah to verify eligibility of Lifeline services?**

274

275 **A:** The State of Utah Department of Community Culture (DCC) contracts with the  
276 Public Service Commission to administer a certification system for eligibility of  
277 Lifeline services in Utah. The state employs two methods of certifying eligibility  
278 for telephone Lifeline services. DCC certifies many recipients on an annual basis  
279 when customers apply for energy assistance through the HEAT program. Because  
280 receiving HEAT benefits is one of the categories authorized for telephone Lifeline  
281 eligibility, this method accomplishes the annual certification for the great majority  
282 of telephone Lifeline recipients. In addition, DCC utilizes a stand-alone  
283 application for new telephone Lifeline customers. These customers complete the  
284 application with the information required by the state through its Lifeline Rule  
285 R746-341. The state verifies the information, through its database, and informs  
286 the designated company that the customer is eligible for the telephone Lifeline  
287 discount.

288

289 **Q: Could this system be utilized by TracFone to qualify customers for its**  
290 **Safelink service?**

291

292 **A:** Yes, it could, but there is a cost to the State to provide this service and it is not  
293 insubstantial. The funds paid to the state are from the state Universal Service

294 Fund (USF), which TracFone would not be paying into. Since TracFone  
295 estimates that it has increased participation in states where it has been granted  
296 ETC status by 200%, the costs of certifying these additional customers could be  
297 significant. It would be unfair for the customers of other companies to pay into  
298 the system for certification of customers of another entity that is not contributing  
299 to the fund. To mitigate the fairness issue, it would be necessary to find another  
300 method for TracFone to contribute to the costs of certifying the eligibility of  
301 customers who want to receive its Lifeline service.

302

303 **Q: Is there a process to verify whether multiple ETC's are providing Lifeline**  
304 **services at the same address?**

305

306 **A:** No. The current system deals with the traditional incumbent providers which  
307 basically do not have overlapping service territories. Given that the application  
308 requires an address and one Lifeline service per address, it would be difficult if  
309 not impossible to provide more than one service at the same address. However,  
310 the current program is not designed to search addresses to verify whether a  
311 customer is already receiving Lifeline support. It's conceivable that such a system  
312 could be designed. It is unclear if that is possible in the near future, what the cost  
313 would be, and who would pay for it.

314 **Q: Do you view this as a problem?**

315 **A:** It is possible that without a way to check for multiple listings at one address, there  
316 could be instances where more than one qualified person in a household could  
317 obtain Lifeline services. For the purpose of maintaining the integrity of the  
318 Lifeline program for the long term, the optimal solution would be to design a

319 system that would allow tracking of Lifeline participation through a system  
320 whereby the Lifeline participation could be checked across participating  
321 companies. In our view, that would require some sort of compensation by  
322 TracFone in order to accomplish this.

323 **Summary and Conclusions**

324 **Q: Can you summarize your conclusions about this offering?**

325 **A:** TracFone proposes to offer a telephone Lifeline service to low income customers.  
326 We are concerned this may serve to undermine the principle of Lifeline service –  
327 that low income households have access to quality, affordable telephone service.  
328 We agree with TracFone’s characterization of the limited number of minutes as an  
329 appropriate safety Lifeline for certain low income people who may not otherwise  
330 have access to any telephone service due to their living circumstances (i.e.,  
331 homeless or living in a group home). However, we are concerned that the  
332 marketing of “free” minutes without clarification of how limited that offering is,  
333 will actually result in people having either a diminished service (a very small  
334 number of minutes) or one that ends up being considerably more costly than  
335 traditional Lifeline service. We request that if the Commission approves this  
336 application, that it impose conditions that would enhance the offering, clarify its  
337 limitations, and ensure that those enrolling in the program are properly eligible  
338 while finding a method for the Company to pay its fair share of that process.

339

340 **Q: Does this conclude your testimony?**

341 **A:** Yes, it does.

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Direct Testimony of Sonya L. Martinez on behalf of Salt Lake Community Action Program in Docket No. 09-2511-01 was mailed electronically this 5<sup>th</sup> day of April, 2010, to the following:

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Respectfully,

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Sonya Martinez