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d/b/a Budget Mobile**

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Budget Prepay, Inc. d/b/a
Budget Phone, Inc.'s Petition for Limited
Designation as a Non-Rural Wireless Eligible
Telecommunications Carrier

**Budget PrePay, Inc. d/b/a Budget Mobile's
Petition For Limited Designation As A Non-
Rural Wireless Eligible Telecommunications
Carrier**

Docket No. 12-2554-01

Direct Testimony of

David Donahue

August 10, 2012

DIRECT TESTIMONY OF DAVID DONAHUE

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Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?

A. My name is David Donahue, and my business address is 1325 Barksdale Blvd., Bossier City, Louisiana, 71111.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Budget PrePay, Inc., d/b/a Budget Mobile (“Budget” or “the Company”). I would note that Budget provides wireline services under the name Budget Phone and wireless services under the name Budget Mobile.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT POSITION DO YOU HOLD?

A. I am employed by Budget and I am its Chief Financial Officer.

Q. WHAT IS YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND?

A. I have received a BS in Accounting from Louisiana Tech University and obtained my CPA in 1990. I joined Budget in June 2010.

Prior to my employment with Budget, I worked at VCFO, where I was responsible for all company financial reporting and strategic planning, as well as SEC reporting and analysis. I have over 23 years of experience in the manufacturing, software, telecommunications, and retail industries. Before I joined VCFO, my positions included serving as the CFO for Axtive Corporation, a publicly traded integrated technology solution provider for middle-market companies. I have also worked as CFO for Philips

24 Speech Processing North and South America, a provider of speech technology for
25 telecom application; as Controller of The Pegasus Companies, a publicly traded firm with
26 interests in retail and medical technology; and as Controller/VP of Financial of Optical
27 Corporation of American, a national chain of 145 optical retail stores. I have performed a
28 wide variety of tasks, including accounting, finance, operations, audit human resource
29 management and software implementations for companies such as Holly corporate,
30 Capps Car Rental, HealthVision, Puente-Brancato Companies, Viscern, Skywire
31 Software, and others.

32

33 **Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?**

34 A. Yes. I have filed testimony in Indiana, Oklahoma, and South Carolina in connection
35 with Budget's petitions for ETC designation in those states.

36

37 **Q. HAVE YOU REVIEWED THE PETITION AND OTHER DOCUMENTS FILED**
38 **BY BUDGET IN THIS PROCEEDING?**

39 A. Yes.

40

41 **Q. WOULD YOU PLEASE BRIEFLY DESCRIBE BUDGET AND ITS**
42 **OPERATIONS?**

43 A. Yes. Budget is a Louisiana corporation headquartered in Bossier City. Budget was
44 formed in 1996 by Robert "Smokey" Hyde, and his son R. Danny Hyde, who is Budget's
45 current president. Budget initially provided low-cost prepaid home phone services. As a
46 result of its strong dedication to customer care, building strong relationships, and research

47 and development to meet current and prospective customer needs, Budget has steadily
48 expanded across the United States over the last 18 years and has developed a \$100
49 million business. It is a national provider of wireline and wireless local and long distance
50 services that serves approximately 400,000 customers in over 42 states. As such, Budget
51 one of the largest prepaid telecommunications companies in the United States. The
52 Petition pending before the Commission is an outgrowth of Budget's dedication to
53 expanding its high-quality service offerings wherever there is a demonstrated customer
54 need.

55

56 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

57 A. The purpose of my testimony is to demonstrate that Budget satisfies the requirements for
58 designation as an ETC in the State of Utah within the areas proposed in its Petition and
59 that the granting of this designation is in the public interest.

60

61 **Q. WOULD YOU PLEASE DESCRIBE THE SERVICES BUDGET INTENDS TO
62 PROVIDE IN UTAH?**

63 A. Yes. Budget is a telecommunications common carrier that provides digital wireless
64 services. Budget is authorized to conduct business in Utah as a foreign corporation. If
65 this Petition is approved, our intent is to offer high-value, high-quality Lifeline services
66 without requiring a fixed-term contract, a credit check, activation fees, or early
67 termination fees. Its Lifeline customers will be able to choose between a free plan and a
68 plan that provides 4,000 combined texts and minutes. Budget will provide its services by
69 resale of Verizon Wireless' underlying services.

70

71 **Q. HOW ARE BUDGET'S OFFERINGS DIFFERENT FROM THOSE OFFERED**
72 **BY TRADITIONAL WIRELESS CARRIERS?**

73 **A.** Budget does not require background or credit checks for its prepaid wireless services. It
74 does not charge an activation fee and does not require customers to sign a long term
75 contract. It provides a free handset, and its service offerings include a variety of popular
76 telephone features at no additional charge, including caller ID, call waiting, and
77 voicemail, which wireline ILECs typically offer at an extra charge. Budget's pricing and
78 terms are highly competitive and provide high value even compared to the offerings of
79 other wireless carriers, in addition to wireline carriers. Budget customers are never
80 obligated to pay for a period of service that exceeds 30 days.

81

82 **Q. WHAT IS THE PROPOSED SERVICE AREA IN WHICH BUDGET REQUESTS**
83 **DESIGNATION AS AN ETC?**

84 **A.** Budget seeks ETC designation in the non-rural wire centers of the ILECs within the State
85 of Utah. These wire centers were, with one exception, identified in Exhibit 2 attached to
86 Budget's application for ETC designation, filed with this Commission on June 21, 2012,
87 and are also set forth in Exhibit _____ (DD-1) included with my testimony. The
88 exception I refer to above is the Page wirecenter. The Page wirecenter is a Qwest
89 wirecenter that straddles the Utah/Arizona border with the CLLI Code "PAGEAZMA".
90 This wirecenter was inadvertently left off of the list in the Petition because the name is
91 linked to Arizona rather than Utah. However, there are Qwest customers in Utah that are
92 served from this wirecenter.

93

94 **Q. IS BUDGET SEEKING HIGH COST SUPPORT FOR THE WIRELESS**
95 **SERVICES IT PROVIDES IN UTAH?**

96 A. No, it is not. Budget is seeking ETC designation in Utah only for the limited purpose of
97 receiving low-income support from the federal Universal Service Fund for offering
98 Lifeline service so that it may better serve low-income customers in Utah. It is not
99 seeking federal or Utah high-cost support funds.

100

101 **Q. DOES BUDGET PROVIDE HIGH-QUALITY WIRELESS SERVICES?**

102 A. Yes. As demonstrated by its successful expansion from its initial Louisiana roots, Budget
103 has continuously adapted its service offerings to anticipate and address customer needs.
104 As an example, Budget invested millions of dollars in software development, including
105 customized, user friendly point-of-sale software its agents use to meet customer needs.
106 Budget's investments in customer care and dedication to providing high-quality service
107 have been amply rewarded: Budget now serves approximately 374,000 wireless
108 customers across most of the continental United States. Its customer care centers are
109 among the most sophisticated of any American provider, and where it provides services
110 through resale, it enters contracts with carriers who are similarly dedicated to a high level
111 of customer service.

112

113 As stated in Budget's Petition, Budget commits to satisfy all consumer protection and
114 service quality standards as provided in the Federal Communication Commission's
115 ("FCC") rules (specifically Section 54.202(a)(3) of C.F.R. Title 47), as well as all

116 applicable state-specific consumer protection and service quality standards and will
117 commit that all universal service fund support received by Budget will be directly
118 reflected in the price that eligible customers pay. Budget will comply with the Cellular
119 Telecommunications and Internet Association's ("CTIA") Consumer Code for Wireless
120 Service and will protect Customer Proprietary Network Information.

121

122 **Q. WHAT ARE THE REQUIREMENTS FOR DESIGNATION AS AN ETC?**

123 A. My layperson's understanding is that to become designated as an ETC, a carrier must be
124 a common carrier, must offer specified supported services either through its own facilities
125 or a combination of its own facilities and resold facilities or obtain a forbearance from
126 that requirement, must advertise these services using media of general distribution, and
127 must describe the geographic service area for which it seeks designation. Additional
128 criteria include the carrier's certification that the carrier will comply with service
129 requirements applicable to the support it receives; a demonstration that the carrier will
130 remain functional in emergency situations; a demonstration that the carrier will satisfy
131 applicable consumer protection and service quality standards; a demonstration of
132 financial and technical ability to provide the supported services; and provision of
133 information regarding the voice telephony Lifeline services the carrier will provide. If
134 designation is consistent with the public interest, convenience and necessity, the
135 Commission must designate additional ETCs in areas served by non-rural ILECs.

136

137 **Q. DOES BUDGET SATISFY THE REQUIREMENTS FOR ETC DESIGNATION IN**
138 **UTAH?**

139 A. Yes. As described more fully below, Budget satisfies all of the requirements for ETC
140 designation in Utah. Budget is a common carrier, as defined by the FCC, and provides
141 all of the services and functionalities supported by the universal service program as set
142 forth in the FCC's rules. Budget also commits to advertise the availability of these
143 services using media of general distribution.

144

145 **Q. IS BUDGET A COMMON CARRIER, AS THAT TERM IS DEFINED IN**
146 **FEDERAL LAW?**

147 A. Yes, Budget is engaged as a common carrier who offers wireless services for hire. As
148 such, it is eligible for designation as an ETC. The FCC and the Commission have both
149 recognized that telecommunications providers offering wireless services are eligible for
150 ETC designation.

151

152 **Q. WILL BUDGET OFFER THE SUPPORTED SERVICES REQUIRED BY THE**
153 **FCC?**

154 A. Yes, Budget will offer all of the Supported Services identified in Section 54.101 of
155 C.F.R. Title 47, which the FCC has recently amended.¹

¹ See *In the Matter of Connect America Fund*, WC Docket No. 10-90 et al., Order on Reconsideration, FCC 11-189 (rel. Dec. 23, 2011); Lifeline Reform Order, ¶ 367. The FCC Order of December 23, 2011 removed from eligibility numerous types of services that had previously been Supported Services, including dual-tone multi-frequency signaling, single-party service, access to operator services, access to interexchange service, and access to directory assistance. The Lifeline Reform Order removed toll limitation services from the list of Supported Services, but only for those services that do not distinguish between toll and non-toll calls in the pricing of the service.

- 156 • **Voice grade access to the public switched telephone network or its functional**
157 **equivalent** – Budget will provide its customers with the ability to make and receive
158 calls on the public switched network.
- 159 • **Minutes of use for local service provided at no additional charge to the end user**
160 Though Budget may eventually expand the number of Lifeline service plan options
161 available to eligible Lifeline customers, Budget intends to initially offer qualifying
162 customers an “active user talk & text” wireless plan that will provide 4,000 minutes
163 of combined local/toll usage and texting, as well as another plan with 250 free
164 minutes of local/toll usage.
- 165 • **Access to the emergency services provided by local government or other public**
166 **safety organizations, such as 911 or enhanced 911, to the extent the local**
167 **government in Budget’s service area has implemented 911 or enhanced 911**
168 **systems** – All of the phones that Budget distributes are capable of delivering
169 automatic numbering information and automatic location information and otherwise
170 satisfy applicable state and federal E911 requirements.
- 171 • **Toll limitation for qualifying low-income consumers, which means toll blocking**
172 **service and toll control service** -- Toll limitations service does not need to be offered
173 for any Lifeline service that does not distinguish between toll and non-toll calls in the
174 pricing of its service. Because the plans offered by Budget include an established
175 number of minutes with no distinction between the pricing for local and toll calls,
176 Budget’s customers will not be subjected to unexpected bills for telecommunication
177 toll services. Thus, Budget’s services satisfy these requirements.
- 178

179 **Q. WILL BUDGET ADVERTISE THE AVAILABILITY OF THE SUPPORTED**
180 **SERVICES USING MEDIA OF GENERAL DISTRIBUTION, AS REQUIRED BY**
181 **47 U.S.C. § 214(e)(1)(B)?**

182 A. Yes, Budget will advertise the availability of the supported services throughout its
183 designated service areas using media of generally distribution in a manner that is
184 designed to reach those likely to qualify for such services. Budget intends to use a
185 variety of media resources, including point of sale material of various kinds, onsite
186 merchandising, banners, customer direct mail, customer brochures, television, and print
187 media. An example of Budget's Lifeline advertising is attached as Exhibit ____ (DD-2).
188 In promoting its services in Utah, Budget will use a state-specific fact sheet, and Budget
189 agrees to comply with all form and content requirements, if any, promulgated by the FCC
190 or the Commission in the future and required of all designated ETCs.

191
192 **Q. HAS BUDGET OBTAINED FORBEARANCE FROM THE REQUIREMENT**
193 **THAT ETC CARRIERS PROVIDE SERVICES SUPPORTED BY FEDERAL**
194 **UNIVERSAL SERVICE SUPPORT MECHANISMS BY USE OF THEIR OWN**
195 **FACILITIES, OR A COMBINATION OF THEIR OWN FACILITIES AND**
196 **RESALE?**

197 A. Yes, Budget has obtained forbearance of this requirement by meeting the requisite
198 criteria laid out by the FCC. Through 2011, Budget had used a combination of its own
199 facilities and resale of other carriers' facilities to provide the supported services in many
200 states. However, the FCC recently changed the list of services that qualify as supported
201 services. Recognizing that the change might eliminate otherwise highly qualified carriers

202 who provide a vital service to low-income customers, the FCC offered a blanket
203 forbearance of the “own facilities” requirement for carriers who meet certain
204 requirements. First, carriers must provide Lifeline subscribers with 911 and E911 access,
205 regardless of activation status and availability of minutes, and with E911 compliant
206 handsets. Second, a carrier must obtain the FCC’s approval of a compliance plan
207 describing (a) the safeguards it will implement against waste, fraud, and abuse to comply
208 with FCC requirements and (b) the carrier’s Lifeline service plan offerings. Budget has
209 met both of these requisites for forbearance and, thus, satisfies the “own facilities”
210 requirement.

211

212 **Q. HOW DOES BUDGET MEET THE FIRST REQUIREMENT REGARDING**
213 **PROVISION OF 911 AND E911 ACCESS TO LIFELINE SUBSCRIBERS?**

214 A. Budget will meet this requirement by (a) providing its Lifeline customers with 911 and
215 E911 access regardless of activation status (if it provides the customer with prepaid
216 service or availability of prepaid minutes); (b) providing 911/E911-compliant handsets to
217 all of its Lifeline customers; and (c) replacing, at no charge to customers, any non-
218 compliant handset of an existing Lifeline customer with a 911/E911-compliant handset.

219

220 **Q. REGARDING THE SECOND REQUIREMENT, HAS BUDGET OBTAINED FCC**
221 **APPROVAL OF A COMPLIANCE PLAN?**

222 A. Yes. On May 1, 2012, Budget submitted a Revised Compliance Plan for FCC approval
223 in WC Docket No. 09-197 and WC Docket No. 11-42.² The Compliance Plan details the
224 verification, certification, and other anti-fraud measures Budget will take to comply with
225 state and federal requirements and to ensure that Lifeline support is provided only to
226 consumers who are truly eligible, and is included as Exhibit ____ (DD-3). On May 25,
227 2012, the FCC issued a public notice that it had approved Budget's Compliance Plan,
228 included here as Exhibit ____ (DD-4). Since it meets all of the FCC's aforementioned
229 criteria, Budget is entitled to the FCC's blanket forbearance from the "own facilities"
230 requirement.

231

232 **Q. WILL BUDGET MEET THE FCC'S ADDITIONAL ELIGIBILITY CRITERIA**
233 **FOR ETC DESIGNATION?**

234 A. Yes, Budget meets the additional criteria recently adopted by the FCC, which include the
235 carrier's certification that the carrier will comply with service requirements applicable to
236 the support it receives; a demonstration that the carrier will remain functional in
237 emergency situations; a demonstration that the carrier will satisfy applicable consumer
238 protection and service quality standards; a demonstration of financial and technical
239 ability to provide the supported services; and provision of information regarding the
240 voice telephony Lifeline services the carrier will provide.

241

² Budget submitted an initial Compliance Plan to the FCC on March 1, 2012, and subsequently submitted several revised versions. The May 1, 2012 Revised Compliance Plan was the final version, which the FCC approved on May 25, 2012.

242 **Q. REGARDING THE FIRST OF THESE CRITERIA, DOES BUDGET CERTIFY**
243 **THAT IT WILL COMPLY WITH ALL SERVICE REQUIREMENTS**
244 **APPLICABLE TO LIFELINE SUPPORT FUNDING?**

245 A. Yes. If Budget is designated as a wireless ETC in Utah, it certifies that it will comply
246 with all service requirements applicable to Lifeline support funding. These requirements
247 are detailed throughout my testimony and in Budget's Compliance Plan at Exhibit ____
248 (DD-3).

249
250 **Q. DOES BUDGET INTEND TO SUBMIT A FIVE-YEAR SERVICE**
251 **IMPROVEMENT PLAN RELATING TO PLANNED INFRASTRUCTURE**
252 **IMPROVEMENTS OR UPGRADES?**

253 A. No. This particular requirement under the FCC's rules is not applicable to carriers
254 seeking ETC status solely to provide Lifeline to low-income customers.

255
256 **Q. DESCRIBE HOW BUDGET WILL MEET THE SECOND REQUIREMENT,**
257 **NAMELY, THAT A CARRIER DEMONSTRATES AN ABILITY TO REMAIN**
258 **FUNCTIONAL IN EMERGENCY SITUATIONS.**

259 A. Certainly. Budget will have the ability to reroute traffic around damaged facilities and
260 manage traffic spikes resulting from emergency situations through both its underlying
261 wireless service provider, Verizon Wireless, and the use of its own facilities in Louisiana
262 and Texas. Budget's services will be as reliable as, and provide all back-ups and
263 contingency plans of, its underlying wireless service providers. Such back-ups and

264 contingencies include backup battery power at cell sites, thus ensuring functionality
265 during emergencies.

266

267 **Q. CAN YOU FURTHER DESCRIBE HOW BUDGET'S OWN FACILITIES AND**
268 **NETWORK DESIGN ENSURE BUDGET'S ABILITY TO REMAIN**
269 **FUNCTIONAL IN EMERGENCY SITUATIONS?**

270 A. Yes. As I indicated, Budget's switching infrastructure is located in two separate
271 geographic locations – Louisiana and Texas. This network design is designed to prevent
272 a single isolated power incident from affecting traffic on Budget's network. All facilities
273 are equipped with both AC and DC battery backup as well as generators. All critical
274 equipment is also supplied with two separate power sources, namely, primary and
275 redundant power feeds.

276

277 Budget also maintains multiple paths to reach its network. This is accomplished by using
278 multiple Internet Protocol ("IP") transit providers for all IP connectivity and an N+1
279 configuration for all Time Division Multiplexing connectivity. Once the origination
280 traffic reaches the Budget network, all elements are set up with the same N+1
281 configuration. The configuration allows each element a primary and redundant path to
282 terminate the traffic without service interruption. In the event the main element fails or
283 that element reaches maximum capacity, Budget has designed the network to advance the
284 traffic to one of three other elements in the same N+1 configuration that is listed above.
285 The voice network has been built and designed to be self-sustaining in the event of a

286 failure. The switching infrastructure will advance to the next termination carrier in route
287 in the event of a failure on any termination carrier's route. Budget maintains a Least Cost
288 Routing engine that has over 20 carriers available for every call.

289

290 Budget has redundant, geographically separated call centers with the capability to route
291 incoming calls as needed, and additional data processing capacity at each of its three data
292 centers that can accommodate extra workload as needed in the event of a systems outage.

293 With daily Grandfather-Father-Son backups, monthly offsite tape backup, and a tertiary
294 optical backup of critical Structured Query Language databases, data can be quickly
295 restored in the event of a key systems failure. Budget maintains 24x7x365 support
296 agreements on all key systems, with four-hour maximum response time specified where
297 possible, so that technical support is always available.

298

299 In the event of a service impacting event, an initial investigation and impact analysis
300 should determine whether the affected services can be restored within the timeframe of
301 the Maximum Tolerable Outage ("MTO"). If it is uncertain that services can be restored
302 within the MTO, a disaster is declared and a detailed incident investigation ensues.

303 Based upon the results Budget will either correct the affected service(s) or invoke
304 disaster recovery activities, such as routing all calls to the alternate call center and
305 rerouting data and/or voice traffic to servers and equipment in the unaffected data centers
306 while the affected service is restored.

307

308 **Q. MOVING ON TO THE THIRD ADDITIONAL ELIGIBILITY REQUIREMENT,**
309 **HOW WILL BUDGET SATISFY ALL CONSUMER PROTECTION AND**
310 **SERVICE QUALITY STANDARDS?**

311 A. If designated as a wireless ETC, Budget commits to satisfying all consumer protection
312 and service quality standards set forth by the FCC, as well as all applicable state-specific
313 consumer protection and service quality standards, and will further commit that all
314 universal service fund support received by Budget will be directly reflected in the price
315 that eligible customers pay. Additionally, Budget will comply with the Cellular
316 Telecommunications and Internet Association's Consumer Code for Wireless Service and
317 will protect Customer Proprietary Network Information. Through the use of resold
318 services and its own facilities, Budget will be able to provide the same quality and
319 reliability as that currently provided by any other wireless provider. Budget's contractual
320 arrangements and its own facilities are designed to minimize any failures, provide
321 alternate call routing, and expedite recovery in the event a failure occurs. Budget affirms
322 its commitment to continue to satisfy or exceed applicable consumer protection and
323 service quality standards.

324

325 **Q. IS BUDGET FINANCIALLY AND TECHNICALLY CAPABLE OF PROVIDING**
326 **LIFELINE SERVICES IN UTAH CONSISTENT WITH THE FOURTH**
327 **ADDITIONAL REQUIREMENT FOR ETC DESIGNATION?**

328 A. Absolutely. Budget has operated in the United States for over 18 years and, thus, has
329 significant experience in providing high-quality telecommunications services. It has

330 developed a \$100 million dollar business spanning most of the continental United States
331 in large part by providing outstanding customer service and attractive service offerings at
332 a low cost. Furthermore, it obtains the majority of its revenue from selling low-cost
333 prepaid telephone services on a nationwide basis to approximately 400,000 customers in
334 42 states. Budget will not need to rely exclusively on federal USF support and will not
335 need, and does not seek, Utah high cost funds to provide the proposed wireless services.
336 A copy of Budget's confidential audited financial statements for 2009 and 2010 and
337 unaudited statements for 2011 are included as Confidential Exhibit ____ (DD-5) and
338 Confidential Exhibit ____ (DD-6) respectively. It is current on its obligations with the
339 Utah Division of Corporations and Commercial Code.

340

341 Budget owns and operates its own switching facilities in Dallas, Texas and Shreveport,
342 Louisiana. Budget has also invested millions of dollars in software development,
343 including its own customized, user friendly point-of-sale software, which enables its
344 agents to efficiently process customer applications so that Budget's customers can rapidly
345 commence Budget's telecommunications services. Budget has not been subject to any
346 enforcement action at the FCC or in any state. No ETC designations held by Budget
347 have been rescinded, revoked, or terminated by the FCC or by any state. Furthermore,
348 due to their extensive previous experience, Budget's officers who will operate its Utah
349 operations have the necessary managerial and technical capabilities to provide the
350 proposed services. Biographies of Budget's President and Chief Financial Officer are
351 provided at Exhibit ____ (DD-7).

352

353 **Q. HAS BUDGET BEEN DESIGNATED AS AN ETC IN ANY OTHER STATES?**

354 A. Yes. Budget has already been designated as an ETC for wireless services in the states of
355 Arkansas, Iowa, Kentucky, Louisiana, Maryland, Michigan, Nevada, Pennsylvania,
356 Rhode Island, Washington, and Wisconsin. Budget has also been designated as an ETC
357 for wireline services in Alabama, Arkansas, Florida, Kentucky, Louisiana, Maryland,
358 Michigan, Mississippi, Missouri, Nebraska, North Carolina, Oklahoma, South Carolina,
359 and Tennessee.

360

361 **Q. WITH RESPECT TO THE FIFTH ADDITIONAL REQUIREMENT FOR ETC**
362 **DESIGNATION, WHAT ARE BUDGET'S LIFELINE SERVICE OFFERINGS?**

363 A. Budget's initial Lifeline service offering will include an "active user talk & text" wireless
364 plan that will provide 4,000 combined texts and local and domestic minutes, as well as a
365 free plan providing 250 minutes of local and domestic toll usage. These initial service
366 plans are also described in Budget's Compliance Plan included as Exhibit ____ (DD-3).

367

368 **Q. PLEASE DESCRIBE BUDGET'S "ACTIVE USER TALK & TEXT PLAN."**

369 A. Budget's "Active User Talk & Text Plan" is a prepaid service providing 4,000 combined
370 voice minutes and text messages, with each text counting as one voice minute. The plan
371 includes local and domestic long distance calling, texting, caller ID, call waiting and
372 voicemail. Customers can add international long distance at \$5.00 intervals and data/pic

373 packages for \$15.00. Customers will receive a free handset or can purchase an upgraded
374 handset from Budget. Service payments will be made at participating Budget agent retail
375 outlets frequented by low income customers throughout the designated service area. The
376 Non-Lifeline value of the Active User Talk & Text Plan is \$34.25. However, after
377 application of the federal Lifeline credit of \$9.25, the Lifeline price to the subscriber is
378 reduced to \$25.00.

379

380 **Q. BUDGET IS ALSO OFFERING A FREE PLAN. PLEASE ELABORATE ON**
381 **THIS PLAN.**

382 A. Budget will also offer its “Free 250 Minute Talk Plan.” This prepaid service provides
383 250 minutes of local and domestic long distance calling, caller ID, call waiting and basic
384 voicemail. Customers will receive a free handset, or they can purchase an upgraded
385 handset from Budget. The Non-Lifeline value of this service is \$9.25. Following
386 application of the federal Lifeline credit of \$9.25, the Lifeline price to the subscriber is
387 reduced to \$0.00 and is therefore free to the Lifeline customer. Customers may also
388 choose to add additional airtime. Customers can purchase 50 additional voice minutes
389 for \$5.00, 100 additional voice minutes for \$10.00, and 150 minutes of additional voice
390 minutes for \$15.00. Under this plan, Lifeline customers may also choose to purchase
391 international long distance at \$5.00 intervals, data/pic packages for \$15.00, and a text-
392 message add-on for \$10.00.

393

394 **Q. ARE THERE ADDITIONAL TERMS AND CONDITIONS ASSOCIATED WITH**
395 **BUDGET’S LIFELINE SERVICE PLANS?**

396 A. Yes, the Terms and Conditions of Budget’s Lifeline plans are detailed in Exhibit ____
397 (DD-8) and are also available at www.budgetmobile.com.

398

399 **Q. WILL BUDGET PROVIDE LIFELINE SERVICE OFFERINGS IN TRIBAL**
400 **AREAS IN UTAH?**

401 A. To the extent that the requested service area encompasses any tribal areas, Budget will
402 offer the Active User Talk & Text Plan for free to eligible tribal customers. The Active
403 User Talk & Text Plan offered in tribal areas will share the same features as that offered
404 in non-tribal areas, including 4,000 minutes of combined local and domestic long
405 distance calling and texting, caller ID, call waiting and voicemail. Tribal customers can
406 add international long distance at \$5.00 intervals and data/pic packages for \$15.00.
407 Tribal customers will receive a free handset or can purchase an upgraded handset from
408 Budget and may make service payments at participating Budget agent retail outlets
409 throughout the designated Service Area. A list of the tribal areas potentially served by
410 Budget is included as Exhibit ____ (DD-9).

411

412 **Q. DOES BUDGET’S DESIGNATION AS AN ETC IN UTAH SERVE THE PUBLIC**
413 **INTEREST?**

414 A. Yes. As fully explained in Budget’s Petition, the public interest benefits associated with
415 Budget’s wireless service include larger local calling areas compared to those of

416 traditional wireline carriers, the convenience and personal security afforded by mobile
417 telephone service, and the opportunity for customers to receive a high value wireless plan
418 that provides 4000 minutes of local and domestic calling and texting or a free plan
419 including 250 calling minutes, and emergency services (911 and, where available, E911
420 services) in accordance with FCC rules. Designating Budget as an ETC will serve the
421 public interest generally and the needs of low-income customers in Utah, in particular.
422 For its Lifeline customers, Budget provides a free 911/E911 compliant handset, and
423 provides Lifeline offerings that include popular features such as voicemail, call waiting,
424 and caller ID, all at no additional charge. Budget's prepay arrangement allows it to offer
425 these services without many of the encumbrances that might prevent low-income
426 consumers from selecting traditional wireless plans. Budget does not impose activation
427 fees, perform credit checks, require a two-year or any long-term commitment, or impose
428 early termination fees. Further, wireless service greatly benefits consumers who
429 routinely drive long distance to attend work or school or to accomplish everyday tasks
430 such as shopping or attending community and social events.

431
432 With its simple, affordable, customer-centered terms, Budget has successfully built a
433 network of satisfied customers and expanded from its initial service in Louisiana to
434 providing service to hundreds of thousands of customers across 42 states. Granting
435 Budget's Petition will serve the public interest by enabling Budget to expand its network
436 of satisfied customers to Utah and allow low-income Utah customers to select from
437 affordable wireless services on a consistent and uninterrupted basis. Prepaid wireless
438 services have become essential for lower-income customers, providing them with value

439 for their money, access to emergency services on wireless devices, and a reliable means
440 of contact for prospective employers, social service agencies or dependents. All
441 universal service fund support received by Budget will be directly reflected in the price
442 that eligible customers pay, thereby, promoting Lifeline services and their availability to
443 low income users. This is consistent with the goals of the federal USF fund and Utah's
444 legislative goals of ensuring that all Utahans have access to affordable basic telephone
445 services.

446

447 **Q. ARE THERE ANY COMPETITIVE BENEFITS ASSOCIATED WITH**
448 **DESIGNATING BUDGET AS AN ETC IN UTAH?**

449 A. Designation of Budget as an ETC will promote competition. Budget will bring the same
450 entrepreneurial spirit that has reinvigorated the wireless industry to the Lifeline market in
451 Utah, helping to redefine the wireless experience for many low-income consumers in the
452 state. Other carriers, therefore, will have the incentive to improve their existing service
453 offerings and tailor service plans to contain service terms and features appealing to
454 lower-income customers. Budget has emphasized customer service as a pillar of its
455 marketplace success since service launch. To that end, as noted earlier, Budget commits
456 to comply with the CTIA Code if designated as an ETC in Utah.

457

458 **Q. IF BUDGET'S PETITION FOR ETC DESIGNATION IS GRANTED, WILL**
459 **THERE BE ANY IMPACT ON THE UNIVERSAL SERVICE FUND?**

460 A. Designation of Budget as an ETC in Utah would not unduly burden the federal USF or
461 otherwise reduce the amount of funding available to other ETCs. Budget seeks ETC

462 designation solely to utilize USF funding to provide Lifeline service to qualified low-
463 income consumers. It does not seek and will not accept high cost or Link-Up support.
464 According to the Universal Service Monitoring Report in 2010, Lifeline funding totaled
465 approximately \$973 million in 2009 while high-cost program expenditures amounted to
466 approximately \$4.7 billion – nearly five times the amount of Lifeline funding. With
467 Lifeline, ETCs only receive support for customers they obtain. The amount of support
468 available to an eligible subscriber is exactly the same whether the support is given
469 through a company such as Budget or the Incumbent LEC operating in the same service
470 area. Designation of Budget as an ETC will very likely increase the Lifeline program
471 participation rate of qualified low-income individuals and further the goal of Congress to
472 provide all individuals with affordable access to telecommunications service.

473

474 **Q. WILL BUDGET SATISFY THE REQUIREMENTS FOR LIFELINE**
475 **ELIGIBILITY CERTIFICATION AND VERIFICATION?**

476 A. Budget will certify and verify consumer eligibility to participate in the Lifeline programs
477 in accordance with the rules of this Commission and the FCC. Budget will comply with
478 the relevant laws, rules, and Commission orders governing eligibility verification, as they
479 presently exist and as may be amended by Commission decision in Docket No. 10-2528-
480 01. Budget also discusses in detail the steps it will take to comply with the FCC's
481 relevant rules in its Compliance Plan, at Exhibit ____ (DD-3).

482

483 **Q. IS BUDGET COMMITTED TO TAKING ADDITIONAL STEPS TO COMBAT**
484 **THE POTENTIAL FOR WASTE, FRAUD AND ABUSE OF LIFELINE**
485 **SERVICES?**

486 A. Absolutely. As detailed in Budget’s Petition and also in its Compliance Plan, included as
487 Exhibit ____ (DD-3), in addition to its commitment to comply with all related state and
488 FCC requirements, Budget will also make voluntary commitments to combat potential
489 waste, fraud, and abuse of its Lifeline services. These commitments include
490 implementation of: a 60-day inactivity policy for Lifeline subscribers; additional
491 procedures to ensure the “one-per-household rule” for Lifeline support; and additional
492 Lifeline-specific eligibility procedures, safeguards, and employee training within the
493 Company.

494

495 **Q. PLEASE ELABORATE ON BUDGET’S 60-DAY INACTIVITY POLICY.**

496 A. Certainly. Budget will implement a 60-day inactivity policy for subscribers of pre-paid
497 services and will notify customers of the inactivity policy at the time of service initiation.
498 Under this policy, if no usage appears on a Budget prepaid Lifeline customer’s account
499 during any continuous 60-day period, Budget will deactivate Lifeline services for that
500 customer. For the purposes of Budget’s deactivation policy, usage will occur when a
501 customer makes a voice call, receives a voice call from anyone other than a Budget
502 representative, makes a monthly payment, purchases additional minutes, or affirmatively
503 responds to a direct contact from Budget confirming that the customer wishes to continue
504 Lifeline services.

505

506 **Q. WHAT ADDITIONAL STEPS WILL BUDGET TAKE TO ENSURE**
507 **COMPLIANCE WITH THE “ONE-PER-HOUSEHOLD RULE” FOR LIFELINE**
508 **SUPPORT?**

509 A. Budget will follow any established FCC or Commission procedures to comply with the
510 “one-per-household rule” for Lifeline support. In addition, Budget will make available
511 state-specific customer data, including name and address, to the Universal Service
512 Administrative Company (“USAC”) and to the Commission for the purpose of permitting
513 USAC or the Commission to determine whether an existing Budget Lifeline customer
514 receives Lifeline service from another carrier. Budget will promptly investigate any
515 notification that it receives from USAC or the Commission that one of its customers
516 already receives Lifeline service from another carrier. Should the Company’s
517 investigation conclude that the customer receives Lifeline services from another carrier in
518 violation of applicable regulations, or if otherwise directed by USAC or the Commission,
519 Budget will immediately notify the customer and no longer report that customer on
520 USAC Form 497. Budget will de-enroll within ten business days any subscriber whom
521 Budget discovers is receiving Lifeline services from another ETC or is otherwise not
522 eligible. If USAC informs Budget that a subscriber is receiving duplicative support,
523 Budget will de-enroll that subscriber within five business days.

524
525 **Q. CAN YOU FURTHER DESCRIBE BUDGET’S ADDITIONAL LIFELINE-**
526 **SPECIFIC ELIGIBILITY PROCEDURES, SAFEGUARDS AND EMPLOYEE**
527 **TRAINING THAT WILL ASSIST IN COMBATING THE POTENTIAL FOR**
528 **WASTE, FRAUD AND ABUSE OF LIFELINE SERVICES?**

529 A. Certainly. Budget will (1) require each employee to access an electronic database (if
530 applicable) or require each customer to provide proof of documentation to determine
531 eligibility at initial enrollment and annually thereafter require each customer to self-
532 certify his or her continued Lifeline eligibility and that he or she is the head of household
533 and receives Lifeline-supported service only from Budget; (2) establish safeguards to
534 prevent its customers from receiving multiple Lifeline subsidies at the same address;
535 (3) deal directly with the customer to certify and verify the customer's Lifeline eligibility
536 and/or check electronic eligibility databases, where available; and (4) certify that it is in
537 full compliance with any applicable 911/E911 obligations, including obligations relating
538 to the provision and support of 911 and E911 service, for each state in which Budget is
539 designated as an ETC.

540
541 Additionally, Budget will ensure that the penalty for perjury language is clearly stated on
542 its Lifeline certification form, and it will track its Lifeline customer's primary residential
543 address in a database and prohibit more than one supported Budget service at each
544 residential address. Budget's Lifeline certification form will include a disclosure section
545 on which a Lifeline applicant must initial disclosure statements. Additionally, Budget
546 will maintain the customer's self-certification and provide the documentation to the
547 Commission upon request. It will collect all required information, including the
548 customer's date of birth and the last 4 digits of the customer's social security number or
549 Tribal ID number, and will provide financial and enrollment data to the National Lifeline
550 Accountability Database, once it is established.

551

552 Budget will also distribute its Lifeline service directly to its Lifeline customers.
553 Customers may purchase handsets at retail stores, but Budget will deal directly with the
554 customer to certify and verify the customer's initial and continued Lifeline eligibility,
555 including through the web, mail, internet, telephone, and its agents. Budget will provide
556 Lifeline-specific training to all personnel who interact with actual or prospective
557 customers with respect to obtaining, changing, or terminating Lifeline services.
558 Budget's marketing materials will provide clear information about the Lifeline program,
559 including that the law limits the Lifeline program to one phone per household.

560

561 **Q. WILL BUDGET PAY ALL APPLICABLE FEDERAL, STATE AND LOCAL**
562 **REGULATORY FEES?**

563 A. Yes. Budget will pay all applicable federal, state, and local regulatory fees in a timely
564 manner, including, but not limited to, state universal service funding, hearing and speech
565 impairment, 911 and E911 fees, and poison control surcharges.

566

567 **Q. WILL BUDGET COMPLY WITH ALL APPLICABLE COMMISSION RULES**
568 **AND REGULATIONS REGARDING ETCS?**

569 A. Yes. Budget affirms its commitment to comply with all rules and regulations that the
570 Commission may lawfully impose upon Budget's provision of service contemplated by
571 its Petition for ETC designation, such as Lifeline eligibility certification and verification
572 and reporting requirements.

573

574 **Q. HOW QUICKLY CAN BUDGET COMMENCE LIFELINE SERVICE?**

575 A. Budget intends to launch Lifeline services as soon as possible after the Commission
576 approves its pending Petition.

577

578 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

579 A. Yes, it does.

580

581

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