

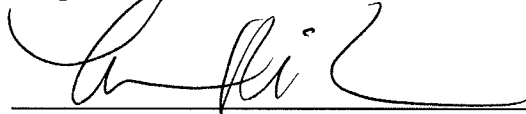
BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UM 1437

_____	)	
In the Matter of	)	
	)	
TRACFONE WIRELESS, INC.	)	<b>TRACFONE WIRELESS,</b>
	)	<b>INC.'S SUPPLEMENTAL</b>
Application for Designation as an Eligible	)	<b>TESTIMONY AND EXHIBIT</b>
Telecommunications Carrier	)	
_____	)	

TracFone Wireless Inc., by counsel, files its Supplemental Testimony and Exhibits with the Oregon Public Utility Commission in this matter. TracFone's Supplemental Testimony and Exhibit include the testimony of Jose Fuentes and Exhibit TracFone/12, identified therein.

Respectfully submitted,



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*Counsel for TracFone Wireless, Inc.*

August 20, 2010

## CERTIFICATE OF SERVICE

I hereby certify that I have this 20th day of August, 2010, served the foregoing TRACFONE WIRELESS, INC.'S SUPPLEMENTAL TESTIMONY AND EXHIBIT upon all parties of record in this proceeding by causing a copy to be sent by electronic mail and U.S. mail to the following addresses (as indicated below):

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**TRACFONE WIRELESS, INC.**  
**Supplemental Testimony of Jose Fuentes**

1  
2 **Q: WHAT IS YOUR NAME AND OCCUPATION?**

3 A: My name is Jose Fuentes. I have been TracFone Wireless, Inc.'s Director of Government  
4 Relations for the past two years. I am responsible for facilitating TracFone's designation  
5 as an Eligible Telecommunications Carrier ("ETC") by state utility commissions and for  
6 implementing SafeLink Wireless® Lifeline service throughout the United States. I am  
7 also the corporate spokesperson for the SafeLink Wireless® brand.

8 **Q: ARE YOU THE SAME JOSE FUENTES WHO PREVIOUSLY SUBMITTED**  
9 **DIRECT TESTIMONY ON BEHALF OF TRACFONE IN THIS PROCEEDING?**

10 A: Yes.

11 **Q: DID TRACFONE SUBMIT A NOTICE OF EXPANDED LIFELINE OFFERINGS**  
12 **IN THIS PROCEEDING?**

13 A: Yes. TracFone's Notice of Expanded Lifeline Offerings was filed with the Oregon  
14 Public Utility Commission in Docket UM 1437 on August 13, 2010. Although that  
15 Notice of Expanded Lifeline Offerings has been filed with the Commission, a copy of the  
16 Notice is appended to this supplemental testimony as Exhibit TracFone/12.

17 **Q: PLEASE DESCRIBE THE NOTICE OF EXPANDED LIFELINE OFFERINGS?**

18 A: The purpose for the Notice of Expanded Lifeline Offerings is to notify the Commission  
19 and other parties to this proceeding and to place on the record of this proceeding  
20 important changes to TracFone's SafeLink Wireless® Lifeline program. Those changes  
21 became effective on August 16, 2010 in all jurisdictions where TracFone has been  
22 designated as an ETC and where it currently is offering Lifeline service. Those changes  
23 to TracFone's Lifeline program will become available in other states, including Oregon,

1 when TracFone becomes designated as an ETC and commences offering SafeLink  
2 Wireless® Lifeline service in those states.

3 **Q: PLEASE DESCRIBE THE REVISED LIFELINE PROGRAM SET FORTH IN**  
4 **TRACFONE'S NOTICE OF EXPANDED LIFELINE OFFERING?**

5 A: Until now, TracFone's SafeLink Wireless® Lifeline service provided customers in the  
6 states where the service is available with a specified quantity of free wireless airtime  
7 minutes per month. The amount of free minutes varied from state to state but generally  
8 ranged between 63 and 68 minutes per month. In Oregon, TracFone initially proposed to  
9 provide 68 minutes per month. The amount of free minutes to be provided in Oregon and  
10 in other states was derived based upon the amount of Tier One Lifeline support available  
11 to TracFone pursuant to the rules of the Federal Communications Commission,  
12 specifically 47 C.F.R. § 54.403. Under that rule, Tier One support is based upon the  
13 Subscriber Line Charge of incumbent local exchange carriers in each state. As described  
14 in the Notice of Expanded Lifeline Offering, TracFone is abandoning that approach to  
15 determining the number of free minutes per month. Instead, TracFone will offer  
16 customers three Lifeline service options. Those options are as follows:

- 17 1) 250 free minutes each month, which do not carry over to the  
18 next month if unused, with texting available at a rate of one  
19 text per minute of airtime;
- 20 2) 125 free minutes each month, which carry over to  
21 the following month if unused, with texting available at  
22 a rate of one text per minute;

1                   3)     68 free minutes each month, which carry over to the following  
2                                   month if unused, with texting available at a rate of 3 texts per  
3                                   each minute of airtime, plus International Long Distance calling  
4                                   to over 60 destinations.

5                   All minutes of airtime may be used to send or receive local calls, intrastate long  
6                   distance calls, and interstate long distance calls (under the third option, the minutes may  
7                   also be used to originate international calls to more than 60 destinations). The minutes  
8                   may also be used for roaming with no additional roaming charges, so Lifeline customers  
9                   will be able to use the service wherever they travel within the United States (assuming  
10                   they are in areas with wireless coverage) either within or outside the State of Oregon. As  
11                   with TracFone's previous Lifeline program, the service (irrespective of option selected)  
12                   will include important vertical features such as call waiting, caller ID, and voice mail.  
13                   Also, as with the prior plan, TracFone will provide all SafeLink Wireless<sup>®</sup> Lifeline  
14                   customers with an E911-compliant wireless handset. Handsets will be delivered to  
15                   customers upon enrollment in the program with the first month's allotment of minutes  
16                   preloaded in the phone.

17   **Q:     WHY HAS TRACFONE ENHANCED ITS LIFELINE PROGRAM WITH THESE**  
18   **NEW OPTIONS?**

19   A:     TracFone is the industry leader in prepaid wireless Lifeline service. It was the first  
20           wireless carrier to obtain a favorable forbearance ruling from the FCC to enable it to be  
21           designated as an ETC for the purpose of providing Lifeline service without providing  
22           service, at least in part, using its own facilities. TracFone was the first non-facilities-  
23           based telecommunications company to become designated as an ETC in any state.

1 TracFone was the first ETC to offer a Lifeline plan which provided Lifeline customers  
2 with free service rather than discounts on the service prices billed to those customers. As  
3 TracFone's Lifeline business grew, and as it sought ETC designation in other states, it  
4 was becoming apparent that consumer groups and others were becoming increasingly  
5 critical of TracFone's program and were advocating that low-income consumers needed  
6 more free minutes. TracFone was also aware that another ETC offering prepaid wireless  
7 Lifeline service -- Virgin Mobile -- had introduced its Assurance Wireless Lifeline plan  
8 which provided its Lifeline customers with 200 free minutes per month. As a result of  
9 these developments, TracFone began to evaluate its Lifeline program and to consider  
10 changes. Earlier this year, TracFone commissioned extensive market research into  
11 customer needs and wants and commenced a series of market tests in which it offered  
12 differing amounts of free minutes in various states. The results of that research and  
13 testing enabled TracFone to gauge such factors as the relationship of free minutes to  
14 consumer demand, whether consumers preferred additional free minutes to other benefits  
15 such as the ability to carry over unused minutes to succeeding months, or the ability to  
16 place international calls, and the importance of text messaging to Lifeline customers.  
17 TracFone analyzed the data it compiled from its market tests and developed the three  
18 options which are set forth in the Notice of Expanded Lifeline Offering.

19 **Q: PLEASE DESCRIBE THE DIFFERENCES IN THE THREE OPTIONS?**

20 **A:** The first option provides for 250 free minutes of wireless airtime each month. Unlike the  
21 other two options, unused minutes do not carry over from month to month. This plan was  
22 developed in response to concerns from consumer advocacy groups around the country,  
23 including the Citizens' Utility Board of Oregon, that low-income households need more

1 free minutes than were available under TracFone's prior plan. 250 free minutes is more  
2 than any other ETC offers. In fact, the Virgin Mobile Lifeline program praised by Bob  
3 Jenks of CUB in his testimony as a model program offers only 200 minutes per month --  
4 twenty-five percent less than TracFone's first option. Like TracFone's 250 minute plan,  
5 Virgin Mobile's unused free minutes do not carry over. Unlike TracFone's plan, Virgin  
6 Mobile's plan does not allow for texting. The second option provides 125 free minutes  
7 each month with unused minutes carrying over from month to month. That option also  
8 allows for text messaging at the rate of 1 text per minute of airtime. This plan, like  
9 TracFone's initial plan (now the third option) allows for minutes to carry over but  
10 provides 57 more minutes (nearly an hour of airtime) per month. It also allows for text  
11 messaging. The third option provides 68 free minutes each month, with unused minutes  
12 carrying over to the following month. The plan also allows for text messaging, but at a  
13 lower rate than the text rate of the first two options. The plan also allows for  
14 international long distance calling.

15 **Q: WHICH OPTION IS MOST BENEFICIAL TO CONSUMERS?**

16 A: Which of the three options is most favorable to any Lifeline customer will depend on the  
17 calling needs of the specific customer. For those customers who want the maximum  
18 amount of free airtime each month, the first option will be the best choice. However,  
19 TracFone's market research and testing confirmed that some Lifeline-eligible low-  
20 income households prefer the carry over feature and prefer to save unused minutes from  
21 month to month rather than lose unused minutes at the end of the month. For those  
22 customers, either the second or third option would be preferable. Other customers do not  
23 have large daily calling needs but do have an ongoing need to communicate with persons

1 in foreign countries. For example, many of TracFone's Lifeline customers who are  
2 recent immigrants value the ability to use their free Lifeline minutes to call friends and  
3 relatives in their home countries. For such customers, the third option which includes  
4 international calling would be the most attractive option, despite the fact that the option  
5 provides fewer total free minutes than either of the other two options. The point is that  
6 Lifeline customers will have a choice of options which best meet their needs.

7 **Q: WHAT PERCENTAGE OF CUSTOMERS ARE EXPECTED TO SELECT EACH**  
8 **OPTION?**

9 A: Based on TracFone's limited testing in several test market states, it became apparent that  
10 most Lifeline customers will choose the first option. Many customers want the maximum  
11 number of free minutes. For such customers, the most important benefit of the program  
12 will be sufficient free wireless service so that they can rely on their SafeLink Wireless®  
13 phone as their means for connecting with the public switched network. For those  
14 customers, their SafeLink Wireless® phone truly is their "Lifeline." Lesser percentages  
15 of customers are expected to select either option 2 or option 3. However, sufficient  
16 customers seemed to desire the benefits of those options, including carry over minutes,  
17 text messaging at lower rates and international calling so as to warrant making those  
18 options available. TracFone does not have precise projections of demand for each option.  
19 However, based on what it learned during market testing, TracFone expects that at least  
20 sixty-five percent of its Lifeline customers will select the first option in order to receive  
21 the maximum amount of monthly free airtime minutes; about twenty-five percent will  
22 select the second option, and about ten percent will select the third option.



1 **Q: DOES TRACFONE ANTICIPATE FURTHER CHANGES TO ITS LIFELINE**  
2 **OPTIONS?**

3 A: The wireless telecommunications service market is evolving as new competitors enter,  
4 new products are introduced and technology improves. TracFone, like most prudent  
5 businesses, constantly monitors market developments and changes its services  
6 accordingly. When TracFone first introduced SafeLink Wireless® in 2008, its plan based  
7 on 68 minutes was “state of the art.” No other company before had offered a Lifeline  
8 program which included free service. As with other wireless services, what was deemed  
9 to be a desirable service two years ago may no longer be what consumers need and  
10 expect. It is for that reason that TracFone introduced its new plans. At this time,  
11 TracFone has no plans to change these options. However, it is certainly possible that in  
12 the future, further changes will be necessary. One thing is certain -- throughout the  
13 history of the commercial mobile service industry the consistent trend has been lower  
14 prices, increased and improved services and features. TracFone expects that trend to  
15 continue throughout the wireless telecommunications market, including the Lifeline  
16 segment of the market. TracFone is a company prepared for change and it will continue  
17 to respond to change.

18 **Q: WILL TRACFONE ASSIST APPLICANTS FOR ENROLLMENT IN ITS**  
19 **LIFELINE PROGRAM TO SELECT THE OPTION MOST APPROPRIATE FOR**  
20 **THE APPLICANTS?**

21 A: Yes. TracFone’s website will contain detailed descriptions of each of the three options.  
22 In addition, when prospective SafeLink Wireless® Lifeline customers contact TracFone’s  
23 Lifeline enrollment department, they will be asked to select which option they prefer.

1 Customer service representatives who assist customers in the Lifeline enrollment process  
2 will be trained to explain the options, to answer questions and to help applicants  
3 determine which option is best for them.

4 **Q: WILL LIFELINE CUSTOMERS STILL BE ABLE TO PURCHASE**  
5 **ADDITIONAL MINUTES? IF SO, AT WHAT PRICE?**

6 A: Yes. SafeLink Wireless® Lifeline customers will be able to purchase additional minutes  
7 at any retail location where TracFone services are sold. The price of the additional  
8 minutes will not exceed \$0.20 per minute. In the states where TracFone has been  
9 providing Lifeline service as an ETC under its prior plan, fewer than seven percent of  
10 Lifeline customers purchased additional wireless airtime in any month. With the increase  
11 in the number of free minutes from 68 to 250, TracFone expects that very few customers  
12 selecting the first option will purchase additional minutes.

13 **Q: WILL TRACFONE'S EXPANDED LIFELINE OFFERINGS BENEFIT OREGON**  
14 **CONSUMERS?**

15 A: Yes. Not too many years ago, wireless telecommunications service was considered to be  
16 a luxury item that only upper income consumers could afford. In recent years, wireless  
17 service prices have decreased, new and improved services and devices have become  
18 available and millions of Americans have come to rely on wireless service as an essential  
19 tool in an increasingly mobile society. To date, the lowest income segments of the  
20 population had limited, and often no, wireless service options. TracFone made it possible  
21 for Lifeline-eligible low-income households in many states to obtain wireless handsets  
22 and some mobile service through its SafeLink Wireless® Lifeline program. However, as  
23 CUB has noted in this proceeding and as other consumer advocates have stated in other

1 ETC proceedings throughout the country, many low-income consumers need more than  
2 68 minutes a month of free airtime. TracFone's revised offerings will enable low-income  
3 Oregon residents who qualify for Lifeline assistance to receive 250 minutes of free  
4 service per month. TracFone is not aware of any party to this proceeding who has  
5 suggested that 250 free minutes will not be a sufficient amount of service. Neither is  
6 TracFone aware of any wireless ETC operating in Oregon or elsewhere which provides  
7 Lifeline customers with as many free minutes as TracFone will provide under its first  
8 option. The increased minutes option will enable Oregon's neediest residents to enjoy  
9 the security and convenience of mobile telecommunications. They will be reachable  
10 wherever they are. Persons seeking employment will not have to remain home to receive  
11 calls from potential employers. Persons who travel -- around the block, around town,  
12 around the state, around the country -- will be able to call and be called by family  
13 members, friends, service providers (e.g., doctors), employers, government departments.  
14 Moreover, with 250 minutes per month of free airtime, Lifeline customers will not feel  
15 the need to keep their phones turned off to avoid using up their limited amounts of free  
16 airtime. Perhaps more importantly, the mobile nature of SafeLink Wireless<sup>®</sup> will bring  
17 Lifeline-supported service to those needy Oregonians with no permanent fixed address.  
18 TracFone has been working with the FCC and with operators of homeless shelters in  
19 various states to enable homeless persons residing in such shelters to enroll in SafeLink  
20 Wireless<sup>®</sup>. It plans to do that in Oregon as well.

21 **Q: DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

22 **A:** Yes.

Before the  
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET UM 1437

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In the Matter of )

TRACFONE WIRELESS, INC. )

Application for Designation as an Eligible )  
Telecommunications Carrier. )

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**TRACFONE WIRELESS,  
INC.'S NOTICE OF  
EXPANDED LIFELINE  
OFFERING**

TracFone Wireless, Inc. ("TracFone"), by its undersigned counsel, advises the Commission that TracFone is expanding its SafeLink Wireless® Lifeline offering for both current and new customers. Commencing August 16, 2010, this expanded offering will be available in all states in which TracFone offers Lifeline service. TracFone's Application for Designation as an Eligible Telecommunications Carrier ("ETC"), filed August 7, 2009, remains pending. Upon designation as an ETC by the Commission, TracFone's SafeLink Wireless® Lifeline customers in Oregon will have the option of choosing the Lifeline plans described in this Notice.

Commencing August 16, 2010, TracFone will give its Lifeline customers in all states the option to select from three monthly plans. The plans are as follows:

- 1) 250 free minutes each month, which do not carry over to the next month if unused, with texting available at a rate of one text per minute of airtime; or
- 2) 125 free minutes each month, which carry over to the following month if unused, with texting available at a rate of one text per minute of airtime; or
- 3) 68 free minutes each month, which carry over to the following month if unused, with texting available at a rate of 3 texts per each minute of airtime, plus International Long Distance calling to over 60 destinations.

Under TracFone's expanded SafeLink Wireless® Lifeline options, Lifeline customers in Oregon will be eligible to choose the plan that best suits their specific needs.

TracFone is committed to serving low-income families by affording them the ability to stay connected with current or potential employers, children at home while their parents are at work, health care specialists, vital emergency responders, or relatives in time of personal emergencies. TracFone believes that its expanded Lifeline options will meet the needs of Oregon's low-income households. TracFone is anxious to begin offering its Lifeline service in Oregon and hopes to serve low-income families throughout the State of Oregon in the near future upon being designated as an ETC.

Respectfully submitted,



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*Counsel for TracFone Wireless, Inc.*

August 13, 2010

**CERTIFICATE OF SERVICE**

I hereby certify that I have this 13th day of August, 2010, served the foregoing TRACFONE WIRELESS, INC.'S NOTICE OF EXPANDED LIFELINE OFFERING upon all parties of record in this proceeding by causing a copy to be sent by electronic mail and U.S. mail to the following addresses (as indicated below):

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