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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission
DOCKETED

AUG 21 2012

DOCKETED BY
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IN THE MATTER OF THE APPLICATION
OF TERRACOM, INC. FOR DESIGNATION
AS AN ELIGIBLE
TELECOMMUNICATIONS CARRIER ON
A WIRELESS BASIS (LOW INCOME
ONLY)

DOCKET NO. T-20802A-11-0174

DECISION NO. 73344

ORDER

Open Meeting
August 9, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On April 22, 2011, TerraCom, Inc. ("TerraCom") filed an Application requesting designation as an Eligible Telecommunications Carrier ("ETC") pursuant to section 214(e)(2) of the Communications Act of 1934 (the "Act") and the rules of the Federal Communications Commission ("FCC"), including 47 C.F.R. §§ 54.201 and 54.207. In its Application, TerraCom requests that the Arizona Corporation Commission ("ACC" or "Commission") designate it as an ETC in certain wire centers served by CenturyLink QC (fka Qwest Corporation) ("CenturyLink") and Navajo Communications Company ("Navajo"), a subsidiary of Frontier Communications Corporation ("Frontier") for the purpose of receiving federal Universal Service Fund ("FUSF")

...
...
...

1 support for low-income customers only (i.e., Lifeline¹). TerraCom is not requesting high cost
2 support.

3 2. On July 12, 2011, TerraCom filed an updated rate center list to remove the Navajo
4 wire centers from Exhibit A in its original application. Therefore, TerraCom is requesting ETC
5 designation in wire centers served by CenturyLink only, excluding tribal lands.

6 3. On July 12, 2011, the Arizona Local Exchange Carriers Association (“ALECA”)
7 filed a motion to intervene.

8 4. On August 2, 2011, a Procedural Order granted ALECA’s request for intervention
9 in this proceeding.

10 5. On August 12, 2011, a Stipulation between ALECA and TerraCom was filed in the
11 docket.

12 6. On May 25, 2012, the FCC approved TerraCom’s Second Revised Compliance
13 Plan (“2nd RCP”) and waived the company-owned facilities requirement. On June 15, 2012,
14 TerraCom filed a copy of the 2nd RCP in the docket.

15 **BACKGROUND**

16 7. TerraCom is an Oklahoma corporation with its principal offices located at 401 E.
17 Memorial Road, Suite 500, Oklahoma City, OK 73114. TerraCom provides Commercial Mobile
18 Radio Service (“CMRS”) through its own facilities and through the resale of service of other
19 wireless carriers. TerraCom currently serves over 200,000 customers² and has been granted ETC
20 designation in thirteen (13) jurisdictions³ with five (5) applications pending in other jurisdictions.⁴
21 TerraCom will provide wireless service through a “virtual network” consisting of services obtained
22 from licensed wireless network operators Sprint PCS (“Sprint”), Verizon Wireless (“Verizon”) and
23

24
25 ¹ Federal Lifeline Assistance provides discounts on basic monthly service at the primary residence for qualified
telephone subscribers. The federal support amount provided to the ETC is \$9.25.

26 ² Second Revised Compliance Plan (“2nd RCP”), page 3.

27 ³ Arkansas, Colorado, Indiana, Iowa, Louisiana, Maryland, Nevada, Oklahoma, Puerto Rico, Texas, U.S. Virgin
Islands, West Virginia and Wisconsin.

28 ⁴ Minnesota, Mississippi, Nebraska, New Mexico and Federal ETC designation for Alabama, Connecticut, Delaware,
Florida, New Hampshire, New York, North Carolina, Tennessee, the Commonwealth of Virginia and the District of
Columbia.

1 is considering using wireless network operator AT&T Wireless ("AT&T").⁵ TerraCom is seeking
2 ETC designation in its current coverage area within the CenturyLink rate centers specified in
3 Revised Exhibit A filed July 12, 2011, in the docket.

4 8. On February 6, 2012, the FCC released an Order in FCC 12-11, *Lifeline and Link*
5 *Up Reform and Modernization ("Lifeline Reform Order")*⁶, in which the FCC adopted
6 comprehensive reforms to the low-income program to revise and modernize the Lifeline service
7 requirements and implement measures to address. Within that Order, the FCC found that a grant
8 of blanket forbearance of the facilities requirement, subject to certain public safety and compliance
9 obligations, was appropriate for carriers seeking to provide Lifeline-only service.⁷ Specifically, in
10 the *Lifeline Reform Order*, the FCC states it will conditionally grant forbearance from Section
11 214(e)(1)(A) of the Communications Act of 1934, as amended (the "Act") facilities requirement to
12 all telecommunications carriers seeking Lifeline-only ETC designation, subject to the following
13 conditions: (1) compliance with certain 911 and enhanced 911 (E911) public safety requirements;
14 and (2) FCC Wireline Competition Bureau approval of a compliance plan providing specific
15 information regarding the carrier and its service offerings and outlining the measures the carrier
16 will take to implement the obligations contained in the *Order*.⁸

17 9. On March 2, 2012, TerraCom submitted its initial Compliance Plan to the FCC in
18 order to benefit from the "blanket forbearance" of the own-facilities requirement used to provide
19 Lifeline services. TerraCom submitted its 2nd RCP on May 1, 2012, making changes as the result
20 of discussions with FCC Staff. On May 25, 2012, in DA 12-828, the FCC issued a Public Notice⁹
21 approving TerraCom's May 1, 2012 Second Revised Compliance Plan.

22
23 ⁵ Response to Staff Data Request STF 1.3(a).

24 ⁶ *In the Matter of Lifeline and Link Up Reform and Modernization, Report and Order and Further Notice of Proposed*
Rulemaking, WC Docket No. 11-42, FCC 12-11, released February 6, 2012 ("*Lifeline Reform Order*").

25 ⁷ *Ibid.*, at paras. 368-381.

26 ⁸ *See id.* at paras. 373 and 389. Subsequently, the Bureau provided guidance for carriers submitting compliance plans
pursuant to the *Lifeline Reform Order*. *Wireline Competition Bureau Provides Guidance for the Submission of*
Compliance Plans Pursuant to the Lifeline Reform Order, WC Docket Nos. 09-197 and 11-42, Public Notice, 27 FCC
27 Rcd 2186 (Wireline Comp. Bur. 2012).

28 ⁹ *See "Wireline Competition Bureau Approves the Compliance Plans of American Broadband & Telecommunications,*
Budget Prepay, Consumer Cellular, Global Connection, Terracom and Total Recall", Public Notice from FCC
Wireline Competition Bureau, WC Docket Nos. 09-197 and 11-42 (rel. May 25, 2012).

1 **REQUIREMENTS FOR DESIGNATION AS AN ETC AND TERRACOM'S**
2 **COMPLIANCE WITH THE REQUIREMENTS**

3 10. Designation as an ETC makes a carrier eligible to receive federal universal service
4 funds. The requirements for designation of ETCs are specified by federal law in 47 U.S.C. §
5 214(e)(1), which states:

6 "A common carrier designated as an eligible telecommunications carrier under paragraph
7 (2) or (3) shall be eligible to receive universal service support in accordance with section
8 254 and shall throughout the service area for which the designation is received: (A) offer
9 the services that are supported by Federal universal service support mechanisms under
10 section 254(c), either using its own facilities or a combination of its own facilities and
11 resale of another carrier's services (including the services offered by another eligible
12 telecommunications carrier); and (B) advertise the availability of such services and the
13 corresponding charges using media of general distribution."

14 11. In order to be designated as an ETC, a carrier must offer Lifeline service to all
15 qualifying low-income customers within its service area.¹⁰ Lifeline service provides basic
16 telephone service, typically by passing on discounts to monthly telecommunications charges. As a
17 wireless reseller of prepaid wireless service, TerraCom is proposing to offer qualified customers a
18 free handset and the choice of three different free prepaid calling plans.¹¹

19 12. As indicated above, the FCC granted TerraCom forbearance from the facilities
20 requirement that it provide service using its own facilities or a combination of its own facilities and
21 resale of another carrier's services and also any criteria related to facilities build out plans.
22 TerraCom would be a Lifeline-only ETC, eligible only for Lifeline support and must meet all the
23 other criteria required of ETCs.

24 **A. OFFERING THE SERVICES DESIGNATED FOR SUPPORT**

25 13. On December 23, 2011, the FCC adopted and released an Order on Reconsideration
26 in which the FCC modified, on its own motion, the definition of "voice telephony", as adopted in

27 ¹⁰ 47 C.F.R. §§ 54.405 and 54.411(a)

28 ¹¹ See Application, page 11 and responses to Staff Data Request STF 1.26 and 1.28. TerraCom's offering of 68, 150
or 250 free monthly minutes to Lifeline customers mirrors the plans offered by TracFone (Decision No. 72222).

1 the *USF/ICC Transformation Order*.¹² In that Order, the FCC reduced its former list of nine
2 supported services to four supported services and amended 47 C.F.R. § 54.101 to specify the
3 “voice telephony services” supported by federal universal service support mechanisms.¹³

4 14. 47 C.F.R. § 54.101, sets forth the services that a carrier must offer in order to
5 receive Federal universal service fund support. The services and TerraCom’s response to the
6 provision of each service are as follows:

- 7
- 8 (1) Voice grade access to the Public Switched Network. “Voice grade access to the Public
9 Switched Network” is defined as a functionality that enables a user of
10 telecommunications services to transmit voice communications, including signaling the
11 network that the caller wishes to place a call, and receive voice communications,
12 including receiving a signal indicating there is an incoming call. For purposes of this
13 Part, bandwidth for voice grade access should be, at a minimum, 300 to 3,000 Hertz.
14 TerraCom states¹⁴ it will provide the supported service.
- 15 (2) Local usage. “Local usage” means minutes of use for local exchange service,
16 prescribed by the Federal Communications Commission, provided free of charge to end
17 users. TerraCom states¹⁵ it will provide the supported service.
- 18 (3) Access to emergency services. “Access to emergency services” includes access to
19 services, such as 911 and enhanced 911, provided by local governments or other public
20 safety organizations. 911 is defined as a service that permits a telecommunications
21 user, by dialing the three-digit code “911”, to call emergency services through a Public
22 Safety Access Point (“PSAP”) operated by the local government. “Enhanced 911” is
23 defined as 911 service that includes the ability to provide automatic numbering
24 information (“ANI”), which enables the PSAP to call back if the call is disconnected,
25 and automatic location identification (“ALI”), which permits emergency service
26 providers to identify the geographic location of the calling party. “Access to
27 emergency services” includes access to 911 and enhanced 911 services to the extent the
28 local government in an eligible carrier’s service area has implemented 911 or enhanced
911 systems. TerraCom states¹⁶ it will provide the supported service.

12 See *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform-Mobility Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Order on Reconsideration, FCC 11-189 (rel. Dec. 23, 2011) (*USF/ICC Transformation Order on Reconsideration*) at para. 3.

13 *Id.* at para. 78; see also *id.* App. A at 536 (revising section 54.101(a) of the Commission’s rules); see 76 FR 73830, 73870 (Nov. 29, 2011) (revising 47 C.F.R. § 54.101(a) with an effective date of December 29, 2011).

14 Response to Staff Data Request STF 1.7.

15 *Ibid.*

16 *Ibid.*

1 (4) **Toll Limitation for Qualifying Low-Income Consumers.** "Toll limitation denotes either
2 toll blocking or toll control for eligible telecommunications carriers that are incapable
3 of providing both services. For eligible telecommunications carriers that are capable of
4 providing both services, 'toll limitation' denotes toll blocking and toll control."¹⁷
5 TerraCom states¹⁸ that its calling plans do not distinguish between local and toll calls at
6 the point of dialing and does offer toll blocking for other usage type services like
7 international calling.¹⁹ TerraCom's prepaid plans include a specific number of minutes
8 that cannot be exceeded. Therefore, customers cannot incur any charges for excessive
9 toll calling or be disconnected for non-payment.

10 15. In its application, TerraCom states it has the ability to provide all the supported
11 services and functionalities required in the proposed ETC designated service area to all subscribers
12 taking service under its Lifeline plan through arrangements with its underlying carriers. Based on
13 the above information and explanations, Staff believes that TerraCom meets this ETC designation
14 criteria.

15 **B. ADVERTISING OF SUPPORTED SERVICES**

16 16. 47 U.S.C. § 214(e)(1)(B) requires a common carrier designated as an eligible
17 telecommunications carrier to advertise the availability of such services and the corresponding
18 charges using media of general distribution. TerraCom states it will comply with each service of
19 the requirement service provisions and advertisement²⁰ and will advertise the availability of its
20 supported services and the corresponding rates and charges using media of general distribution.
21 TerraCom states that it plans to utilize marketing and outreach efforts, such as print and broadcast
22 advertising, in media outlets most likely to reach consumers eligible for Lifeline and Link Up
23 services. This includes multiple modes of distribution such as local outreach events, direct sales,
24 neighborhood agents, radio local magazines and other print advertisements and TerraCom branded
25 or authorized retail outlets.²¹ TerraCom organizes outreach events with community assistance
26 organizations such as the Salvation Army to inform and make contact with eligible subscribers to
27 ensure that they are aware of Lifeline plans and Link Up discounts. Advertisements will be both

28 ¹⁷ 47 C.F.R. § 54.400(d).

¹⁸ Response to Staff Data Request STF 2.1(b).

¹⁹ Response to Staff Data Request STF 2.1(b)(i).

²⁰ Page 16, lines 4-5 of Application.

²¹ Response to Staff Data Request STF 2.2.

1 English and Spanish. TerraCom submitted examples of prior relevant advertisements to Staff. In
2 addition, TerraCom submitted an example of its advertisement in its 2nd RCP to the FCC.²²

3 17. Based on the information above and TerraCom's advertising materials provided to
4 Staff, Staff concludes that TerraCom will advertise the availability of its supported services and
5 the corresponding charges using media of general distribution as required by 47 U.S.C. §
6 214(e)(1)(B). Staff believes that TerraCom meets this ETC designation criteria.

7 **C. ADDITIONAL ETC REQUIREMENTS**

8 18. In addition to the requirements listed above, in the *Lifeline Reform Order* the FCC
9 adopted comprehensive reforms to the low-income program to revise and modernize the Lifeline
10 service requirements and implement measures to address fraud, waste, and abuse within the
11 system. Below are the additional requirements and TerraCom's response to each requirement.

12 **C.1 A Commitment and Ability to Provide Supported Services**

13 19. In 47 C.F.R. § 54.202(a)(1)(i) and (ii), the FCC required the applicant to:

14 (i) Certify that it will comply with the service requirements applicable to the
15 support that it receives; and

16 (ii) Submit a five-year plan that describes with specificity proposed improvements
17 or upgrades to the applicant's network throughout its proposed service area.²³

18 20. TerraCom states²⁴ it will provide Lifeline service to qualifying customers
19 requesting Lifeline services throughout its requested designated services area, pursuant to the
20 universal service program and in accordance with 47 C.F.R. § 54.202(a)(1). TerraCom states²⁵ it
21 will provide service to requesting qualifying customers on a timely basis or within a reasonable
22 period of time in accordance with the rule. The requirement directing submissions of a formal
23 network improvement plan under 47 C.F.R. § 54.202(a)(1)(ii) demonstrating how universal service
24 funds will be used to improve coverage, signal strength, or capacity that would not otherwise occur
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27 ²² See Exhibit 3 of the 2nd RCP.

²³ *Ibid.*, ¶ 21.

²⁴ Response to Staff Data Request STF 2.3(b).

²⁵ Response to Staff Data Request STF 2.3(c).

1 absent the receipt of high-cost support, does not apply to this application because the FCC waived
2 the facilities-based requirements for TerraCom.

3 21. Based on the above information, Staff believes that TerraCom meets this ETC
4 designation criteria.

5 C.2 Remain Functional in Emergency Situations

6 22. In 47 C.F.R. § 54.202(a)(2), the FCC outlines the requirement that an ETC
7 applicant demonstrate its ability to remain functional in emergency situations. Specifically, “an
8 applicant must demonstrate that it has a reasonable amount of back-up power to ensure
9 functionality without an external power source, is able to reroute traffic around damaged facilities,
10 and is capable of managing traffic spikes resulting from emergency situations.”²⁶

11 23. To demonstrate its ability to remain functional in emergency situations, TerraCom
12 states it provides service in Arizona by reselling services of underlying wireless carriers,
13 specifically Sprint and Verizon Wireless in Arizona. While these carriers can provide network
14 reliability and functionality in emergency situations, TerraCom’s owned facilities also provide the
15 same as they are located in a carrier facility which is capable of remaining fully functional with
16 both generator and battery backup.²⁷

17 24. Based on the above information, Staff concludes that TerraCom has demonstrated
18 its ability to remain functional in emergency situations by maintaining a reasonable amount of
19 back-up power. Staff believes that TerraCom meets this ETC designation criteria.

20 C.3 Satisfy Consumer Protection and Service Quality Standards

21 25. In 47 C.F.R. § 54.202(a)(3), the FCC requires an ETC applicant to demonstrate its
22 commitment to meeting consumer protection and service quality standards in its application...²⁸
23 The sufficiency of other commitments will be considered on a case-by-case basis.

24 26. To demonstrate its ability to satisfy consumer protection and service quality
25 standards, TerraCom states that it will satisfy all applicable state and federal requirements related

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27 ²⁶ *Ibid.*, ¶ 25.

²⁷ Pages 16-17 of Application and response to Staff Data Request STF 2.4.

28 ²⁸ *Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 05-46* (rel. March 17, 2005), ¶ 28.

1 to consumer protection and quality standards. To demonstrate its commitment to high service
2 quality, TerraCom states it will comply with CTIA – Wireless Association® Consumer Code for
3 Wireless. Additionally, TerraCom states it commits to reporting information on consumer
4 complaints per 1,000 lines (or wireless equivalent) on an annual basis, as set forth in this
5 requirement.²⁹

6 27. Based on the above information, Staff believes that TerraCom meets this ETC
7 designation criteria.

8 C.4 Lifeline-Only ETC Applicants – Financial and Technical Capability

9 28. In 47 C.F.R. § 54.202(a)(4), the FCC requires a Lifeline-only ETC applicant to
10 demonstrate that it is financially and technically capable of providing the Lifeline service in
11 compliance with subpart E of this part. In the *Lifeline Reform Order*³⁰ the FCC provides guidance
12 on specific information to be considered when determining if an applicant meets this requirement:

13 “...Among the relevant considerations for such a showing would be whether the applicant
14 previously offered services to non-Lifeline customers, how long its has been in business,
15 whether the applicant intends to rely exclusively on USF distributions to operate, whether
16 the applicant receives or will receive revenue from other sources, and whether it has been
17 subject to enforcement action or ETC revocation proceedings in any state.”

18 29. To demonstrate that TerraCom is financially and technically capable of providing
19 Lifeline service, in the Declaration of Vice President Dale Schmick, TerraCom attests³¹:

20 With respect to the detailed financial information the Commission has requested in the
21 *Lifeline Reform Order*³², the Commission explained that a carrier seeking "blanket
22 forbearance" (from the Act's facilities requirement) could prove that it is financially and
23 technically capable of becoming a Lifeline-only ETC by addressing certain factors.

24 Specifically, in order to demonstrate its financial ability to provide service, TerraCom can

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26 ²⁹ *Ibid*, para 28, last sentence.

27 ³⁰ See *Lifeline Reform Order*, ¶388.

28 ³¹ See Exhibit 4 of TerraCom's 2nd RCP, Declaration of Dale Schmick,
(<http://apps.fcc.gov/ecfs/document/view?id=7021915145>).

³² *Lifeline Reform Order*, ¶388.

1 certify that: 1) it offers service to low income customers, and not just those customers that
2 are eligible to receive reimbursements from the Lifeline program; 2) TerraCom has been in
3 business for almost 8 years; 3) TerraCom has never been exclusively dependent on
4 receiving Lifeline subsidies to operate, and to ensure that all its consumers will receive the
5 service they have been promised; 4) TerraCom has never been subject to state or federal
6 enforcement sanctions, and TerraCom has never been the subject of a state revocation
7 proceeding. Thus, TerraCom has almost 8 years of successfully providing valuable
8 customer service (wireline and wireless) and growing its business as a Lifeline-only ETC.

9 Mr. Schmick further attests that, TerraCom is a financially stable and liquid service provider,
10 which is relevant in assessing TerraCom's lack of reliance on Universal Service Fund
11 reimbursements in order to continue providing service to end users. Finally, Mr. Schmick
12 certifies that TerraCom is current in all of its accounts with all relevant vendors who contribute to
13 the provision of TerraCom's wireless service and this fact provides additional assurance that other
14 market participants--parties who will lose money if TerraCom is not financially capable of
15 providing wireless service--are confident in TerraCom's ability to continue to provide service to
16 its customers.

17 30. Having reviewed TerraCom's financial statements and based on the above
18 information, Staff believes that TerraCom meets this ETC designation criteria.

19 **C.5 Lifeline-Only ETC Applicants – Terms and Conditions of Lifeline**
20 **Service Plans**

21 31. In 47 C.F.R. § 54.202(a)(5), the FCC requires an ETC applicant to submit
22 information describing the terms and conditions of any voice telephony service plans offered to
23 Lifeline subscribers, including details on the number of minutes provided as part of the plan,
24 additional charges, if any, for toll calls, and rates for each such plan. To the extent the eligible
25 telecommunications carrier offers plans to Lifeline subscribers that are generally available to the
26 public, it may provide summary information regarding such plans, such as a link to a public Web
27 site outlining the terms and conditions of such plans.
28 . . .

1 32. TerraCom provided Staff with its informational tariff³³ in which it describes the
2 calling plans for Lifeline subscribers, including the number of free minutes in each calling plan,
3 along with the terms and conditions of Lifeline service as provided by TerraCom. Based on the
4 information contained in TerraCom's informational tariff, Staff believes that TerraCom meets this
5 ETC designation criteria.

6 **D. STEPS TO LIMIT FRAUD, WASTE AND ABUSE OF THE FUSF**

7 33. In the *Lifeline Reform Order*, the FCC adopted various new measures and revised
8 or eliminated other existing measures in order to limit fraud, waste and abuse of the Federal
9 Universal Service Fund ("FUSF"). These measures include establishing uniform eligibility criteria
10 to qualify for Lifeline services, clarifying the restriction of one Lifeline telephone allowed per
11 household, initial certification and annual re-certification of consumer eligibility, establishing a
12 national lifeline accountability database to ensure and enforce the one-per-household requirement,
13 total elimination of toll limitation support for wireless carriers and a tapered elimination of toll
14 limitation support for landline ETCs, elimination of the Link Up subsidy except on federally-
15 recognized tribal lands and establishing additional provisions for USAC audits.

16 34. In its 2nd RCP, TerraCom outlines the steps it will take to limit fraud, waste and
17 abuse of the FUSF and will comply with all applicable Lifeline requirements and implement
18 measures to prevent fraud, waste, and abuse.

19 **E. Public Interest Determination**

20 35. Under Section 214 of the Act, the FCC and state commissions must determine that
21 an ETC designation is consistent with the public interest, convenience and necessity for rural
22 areas. They also must consider whether an ETC designation serves the public interest consistent
23 with Section 254 of the Act. Congress did not establish specific criteria to be applied under the
24 public interest tests in Sections 214 or 254. The public interest benefits of a particular ETC
25 designation must be analyzed in a manner that is consistent with the purposes of the Act itself,
26 including the fundamental goals of preserving and advancing universal service; ensuring the
27

28 ³³ Response to Staff Data Request STF 1.54.

1 availability of quality telecommunications services at just, reasonable, and affordable rates; and
2 promoting the deployment of advanced telecommunications and information services to all regions
3 of the nation, including rural and high-cost areas.³⁴ Accordingly, before designating a carrier as an
4 ETC, the Commission must make an affirmative determination that such designation is in the
5 public interest, regardless of whether the applicant seeks designation in an area served by a rural or
6 non-rural carrier.

7 36. TerraCom states that by designating it as an ETC in Arizona, the public interest will
8 be served as, by offering a free minute of use of plan, TerraCom will provide a competitive and
9 affordable Lifeline service to eligible low-income subscribers who might not otherwise have
10 access to basic communication services. This service will also allow Arizona residents to access a
11 larger domestic calling area (as compared to traditional wireline carriers), a way for customers to
12 control cost (by receiving a preset amount of monthly airtime at no charge) and the ability to
13 purchase additional and affordable usage and 911 service even when usage has been exhausted.
14 TerraCom states that since it has been an ETC since 2004 and has been granted wireless ETC
15 status in nine other jurisdictions, it has the experience serving low income consumers through its
16 unique marketing and distribution model of direct contact with consumers via outreach events,
17 direct sales, neighborhood agents, and TerraCom branded or authorized retail outlets. Finally, as
18 TerraCom works to expand the availability of these communications services it will also invest in
19 and create jobs for Arizona residents, thus also creating a positive economic impact.

20 **F. Designated Service Area**

21 37. The Commission must establish a geographic area for the purpose of determining
22 universal service obligations and support mechanisms for each designated ETC. *See* 47 U.S.C. §
23 214(e)(2); 47 C.F.R. § 54.201(b). TerraCom requests that the Commission designate it as an ETC
24 for the service area consisting of each of the rate centers served by CenturyLink QC as listed in
25 Attachment 1, excluding tribal lands.

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27
28 ³⁴ In the Matter of Federal-State Joint Board on Universal Services, CC Docket No. 96-45, Order FCC 05-46 (¶40),
Adopted: February 25, 2005, Released: March 17, 2005.

1 **G. Reporting Requirement for Prepaid Wireless Deactivations**

2 38. Staff recommends that TerraCom be required to provide a quarterly report to the
3 ACC, to be filed with docket control as a Compliance item, summarizing the total number of
4 customers with periods of inactivity greater than 60 days, but did not cancel service with
5 TerraCom, are no longer qualified for Lifeline service or who voluntarily deactivate service during
6 the quarter. The purpose of this report is to monitor the number of deactivated customers so that
7 TerraCom does not continue to receive Lifeline reimbursement per handset for these customers
8 every month from the Universal Service Administrative Company ("USAC"). In compiling the
9 data for these reports, TerraCom must comply with 47 C.F.R. §54.405(e)(3), in which the FCC
10 outlines the deenrollment policy for non-usage and 47 C.F.R. §54.407(c), in which the FCC
11 defines activities that constitute usage. The quarterly report must also include the total number of
12 Lifeline customers and, as separate items, the number of customers who voluntarily relinquish
13 their TerraCom provided Lifeline service, the number of customers who do not annually recertify
14 their eligibility for Lifeline services and the number of customers deactivated for 60 days of
15 inactivity.

16 **INTERVENOR**

17 **4.1 Arizona Local Exchange Carriers Association**

18 39. The Arizona Local Exchange Carriers Association is an association of telephone
19 companies and member-owned cooperatives providing local exchange telecommunications
20 services to customers in rural, high cost areas of Arizona. All of ALECA's members are "rural
21 telephone companies" as defined by the Communications Act of 1934, as amended (the "Act") 47
22 U.S.C. § 153(37). In its Motion to Intervene, ALECA states, "Each ALECA member, including its
23 Tribally-owned members, receives support from the Federal Universal Service Fund ("FUSF") in
24 the form of High Cost Support. Each member also provides discounted Lifeline telephone service
25 and receives compensation for the discounts from the FUSF." ALECA states it is concerned that
26 TerraCom's offering may unfairly duplicate the similar offerings of its member companies, cause
27 the FUSF requirements to grow to the point where its member companies' FUSF compensation is
28 endangered, and undermine public support for the FCC's universal service programs.

1 **4.2 Joint Stipulation**

2 40. On August 11, 2011, ALECA and TerraCom filed a Stipulation in the docket. In
3 the Stipulation, to address the potential concerns expressed by ALECA, TerraCom agreed not to
4 provide Lifeline or Link Up service to eligible residents residing on Federally-recognized Tribal
5 Lands in Arizona. In addition, TerraCom agreed that its Lifeline enrollment application for
6 Arizona will require an applicant to provide a street address and include a provision that requires
7 an applicant to self-certify under penalty of perjury that they do not reside on Federally-recognized
8 Tribal Lands. TerraCom also filed a revised wire center list on July 12, 2011, which removed the
9 wire centers served by ALECA members.

10 **LINK UP**

11 41. In its application, TerraCom requested Link Up support. Federal Link Up
12 Assistance pays one-half (up to a maximum of \$30) of the initial installation fee for a traditional,
13 wireline telephone or activation fee for a wireless telephone for a primary residence. It also allows
14 participants to pay any remaining amount owed on a deferred schedule, interest-free.

15 42. In the Lifeline Reform Order, the FCC eliminated the Link Up program, effective
16 April 1, 2012, with the exception ETCs serving Tribal lands.³⁵ TerraCom will not be providing
17 Lifeline service on Tribal lands. Given the FCC's elimination of the Link Up program on non-
18 tribal lands, TerraCom's Link Up support request is moot and no longer needs to be addressed by
19 this Commission.

20 **STAFF RECOMMENDATIONS**

21 43. In addition to the conditions set forth by the FCC, Staff recommends TerraCom's
22 Application for designation as an ETC be granted subject to the following conditions:

- 23 A. TerraCom shall file a tariff with in this docket setting forth the rates, terms and
24 conditions for its Lifeline service within thirty (30) days of a Commission Order
25 in this matter;
- 26 B. TerraCom shall notify the Commission of any future changes to its rates, terms
27 and/or conditions regarding its Lifeline offerings and file such changes in its
28 tariff and amend its tariff in compliance with A.R.S. § 40-367;

³⁵ See Lifeline Reform Order, ¶245 and footnote 652.

- 1 C. TerraCom shall make available Lifeline services to qualifying low-income
2 applicants in its ETC service area no later than ninety (90) days after a
3 Commission decision and concurrently notify the Commission, by making a
4 filing in Docket Control, in this docket, of the commencement date for such
5 services;
- 6 D. TerraCom shall apprise the Commission of any customer complaints that may
7 arise from its ETC service offerings by making a filing in Docket Control, in
8 this docket;
- 9 E. TerraCom shall provide a regulatory contact to the Commission by making a
10 filing in Docket Control, in this docket;
- 11 F. In the event that TerraCom requests to relinquish its ETC status and no longer
12 provide Lifeline services, it must provide notice to both the Commission and its
13 customers. Such notice(s) shall be in accordance with A.A.C. R14-2-1107;
- 14 G. TerraCom shall submit in Docket Control an annual report by April 15th of each
15 year, beginning April 15, 2013, that contains its total number of Lifeline
16 subscribers, total amount of Federal USF support received and an affidavit
17 stating that the Lifeline discounts or the equivalent are equal to the amount of
18 total Federal USF support per line. The annual filing shall be submitted as a
19 compliance item in this docket;
- 20 H. TerraCom shall submit in Docket Control, as a compliance item in this docket,
21 a quarterly report detailing the total number of Lifeline customers, the total
22 number of customers removed from the customer base due to 60-day inactivity,
23 the number of customers removed from the customer base due to annual
24 verification and the total number of customers who voluntarily relinquished
25 Lifeline service. In compiling the data for these reports, TerraCom must comply
26 with 47 C.F.R. §54.405(e)(3), in which the FCC outlines the deenrollment
27 policy for non-usage and 47 C.F.R. §54.407(c), in which the FCC defines
28 activities that constitute usage. The quarterly report should be submitted as a
compliance item in this docket on the 15th of the month following the end of
each calendar quarter, beginning January 15, 2013, or with the first complete
quarter following the offering of prepaid Lifeline calling plans, whichever is
earlier.
- I. In the event of a Transfer of Control that involves TerraCom, a new ETC
petition shall be filed with the Commission. This will ensure ETCs undergoing
reorganization remain financially viable and able to provide the supported
services throughout the designated service areas as originally approved by the
Commission; and
- J. TerraCom shall not expand its Lifeline service beyond the designated service
area specified in this application without acquiring ETC designation from the
Commission to serve the additional area.

CONCLUSIONS OF LAW

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1. TerraCom, Inc. is a telecommunications company as defined in A.R.S. § 40-201(46) and is a “telecommunications carrier” as defined in 47 U.S.C. § 153(51). TerraCom is also a reseller of Commercial Mobile Radio Service as defined in 47 U.S.C. § 20.3 and A.A.C. R14-2-1201(8).

2. The Commission has jurisdiction over the subject matter of the application.

3. Under 47 U.S.C. § 214(e)(1), a common carrier that is designated as an Eligible Telecommunications Carrier must, throughout its census block areas, offer the services that are supported by the Federal Universal Service Support mechanisms either by using its own facilities or a combination of its own facilities and resale of another carrier’s services. The carrier must also advertise the availability of such services and the rates for the services using media of general distribution.

4. Under 47 U.S.C. § 214(e)(2), the Commission must establish the geographic area for the purposes of determining universal service obligations and support mechanisms. TerraCom’s application applies to the service area consisting of each of the rate centers served by CenturyLink QC as listed in Attachment 1, excluding Federally-Recognized Tribal Lands located within the state of Arizona.

5. TerraCom meets the requirements for ETC designation under 47 U.S.C. § 214 and C.F.R. § 54.201 *et seq.*, subject to TerraCom’s compliance with the conditions set forth in Finding of Fact No. 43 herein.

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ORDER

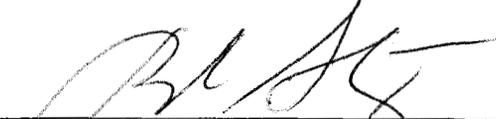
IT IS THEREFORE ORDERED that the application of TerraCom, Inc. for designation as an Eligible Telecommunications Carrier pursuant to U.S.C. § 214(e)(1) for the purpose of receiving federal universal service support in Arizona, for the service area set forth in Attachment 1 attached hereto and incorporated herein by reference, be and hereby is approved, subject to TerraCom, Inc's compliance with the conditions set forth in Finding of Fact No. 43 above.

IT IS FURTHER ORDERED that if TerraCom, Inc. does not comply with the requirements of Finding of Fact No. 43, its designation as an ETC may be revoked after due process.

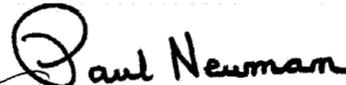
IT IS FURTHER ORDERED that this Decision shall become effective immediately.

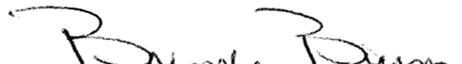
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

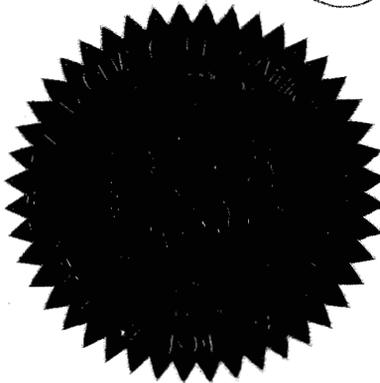

CHAIRMAN


COMMISSIONER

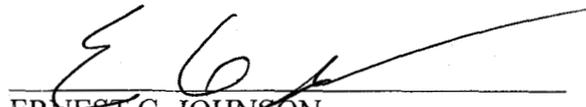

COMMISSIONER


COMMISSIONER


COMMISSIONER



IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 21st day of August, 2012.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:LLM:sms/SH

1 SERVICE LIST FOR: TerraCom, Inc.
2 DOCKET NO. T-20802A-11-0174

3 Mr. Michael Patten
4 Attorney for TerraCom, Inc.
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14 Director, Utilities Division
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 Ms. Janice M. Alward
19 Chief Counsel, Legal Division
20 Arizona Corporation Commission
21 1200 West Washington Street
22 Phoenix, Arizona 85007

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ATTACHMENT A
Docket No. T-20802A-11-0174
TERRACOM, INC. REQUESTED SERVICE AREA

COMPANY	CLLI	EXCHANGE
QWEST CORPORATION	AZCYAZ03RS1	ARIZONA CITY
QWEST CORPORATION	BRDSAZMADSO	BEARDSLEY
QWEST CORPORATION	BNSNAZMADSO	BENSON
QWEST CORPORATION	BNSNAZSDDSO	BENSON SAINT DAVID
QWEST CORPORATION	BISBAZMARS1	BISBEE
QWEST CORPORATION	BLCNAZMARS1	BLACK CANYON
QWEST CORPORATION	BCKYAZMADSO	BUCKEYE
QWEST CORPORATION	CMVRAZMARS1	CAMP VERDE
QWEST CORPORATION	CSGRAZMADSO	CASA GRANDE
QWEST CORPORATION	TCSNAZCADSO	CATALINA
QWEST CORPORATION	CVCKAZMADSO	CAVE CREEK
QWEST CORPORATION	CHNDAZMADSO	CHANDLER MAIN
QWEST CORPORATION	CHNDAZSODSO	CHANDLER SOUTH
QWEST CORPORATION	CHNDAZWEDSO	CHANDLER WEST
QWEST CORPORATION	CHVYAZMADSO	CHINO VALLEY
QWEST CORPORATION	CRCYAZMARS1	CIRCLE CITY
QWEST CORPORATION	GDYRAZCWDSO	COLDWATER
QWEST CORPORATION	CLDGAZMARS1	COOLIDGE
QWEST CORPORATION	CRNDAZMADS1	CORONADO
QWEST CORPORATION	TCSNAZCODSO	CORTARO
QWEST CORPORATION	CTWDAZMADSO	COTTONWOOD-MAIN
QWEST CORPORATION	CTWDAZSORS1	COTTONWOOD-SOUTH
QWEST CORPORATION	DRVYAZNODSO	DEER VALLEY NORTH
QWEST CORPORATION	DGLSAZMARS1	DOUGLAS
QWEST CORPORATION	DDVLAZNMRS1	DUDLEYVILLE
QWEST CORPORATION	ELOYAZ01RS1	ELOY
QWEST CORPORATION	FLGSAZEADSO	FLAGSTAFF EAST
QWEST CORPORATION	FLGSAZMADSO	FLAGSTAFF MAIN
QWEST CORPORATION	FLGSAZSORS1	FLAGSTAFF SOUTH
QWEST CORPORATION	FLRNAZMARS1	FLORENCE
QWEST CORPORATION	TCSNAZFWDSO	FLOWING WELLS
QWEST CORPORATION	FTMDAZMADSO	FORT MCDOWELL
QWEST CORPORATION	GLBNAZMARS1	GILA BEND
QWEST CORPORATION	MESAAZGIDSO	GILBERT
QWEST CORPORATION	GLDLAZMADSO	GLENDALE MAIN
QWEST CORPORATION	GLOBAZMARS1	GLOBE
QWEST CORPORATION	GRCNAZMARS1	GRAND CANYON
QWEST CORPORATION	GNVYAZMADSO	GREEN VALLEY
QWEST CORPORATION	HYDNAZMARS1	HAYDEN
QWEST CORPORATION	HGLYAZMADS1	HIGLEY
QWEST CORPORATION	HMBLAZMARS1	HUMBOLDT
QWEST CORPORATION	JSCYAZMARS1	JOSEPH CITY
QWEST CORPORATION	KRNYAZMARS1	KEARNY

ATTACHMENT A
Docket No. T-20802A-11-0174

QWEST CORPORATION	LTPKAZMADSO	LITCHFIELD PARK
QWEST CORPORATION	MMTHAZMARS1	MAMMOTH
QWEST CORPORATION	MARNAZMARS1	MARANA
QWEST CORPORATION	MARNAZ02RS1	MARANA WEST
QWEST CORPORATION	MRCPAZMADSO	MARICOPA
QWEST CORPORATION	MAYRAZMARS1	MAYER
QWEST CORPORATION	TEMPAZMCDSO	MCCLINTOCK
QWEST CORPORATION	MESAAZMADSO	MESA
QWEST CORPORATION	MIAMAZMARS1	MIAMI
QWEST CORPORATION	TCSNAZMLRS2	MOUNT LEMMON
QWEST CORPORATION	MSPKAZMADSO	MUNDS PARK
QWEST CORPORATION	NWRVAZMADSO	NEW RIVER
QWEST CORPORATION	NGLSAZMARS1	NOGALES
QWEST CORPORATION	NGLSAZMWDSO	NOGALES MIDWAY
QWEST CORPORATION	ORCLAZMARS1	ORACLE
QWEST CORPORATION	PAGEAZMADSO	PAGE
QWEST CORPORATION	PLMNAZMARS1	PALOMINAS
QWEST CORPORATION	PTGNAZMARS1	PATAGONIA
QWEST CORPORATION	PTGNAZELRS1	PATAGONIA ELGIN
QWEST CORPORATION	PYSNAZMADSO	PAYSON
QWEST CORPORATION	PHNXAZPRDSO	PHOENIX PEORIA
QWEST CORPORATION	PHNXAZSEDSO	PHOENIX SOUTHEAST
QWEST CORPORATION	PHNXAZMYDSO	PHOENIX-MARYVALE
QWEST CORPORATION	PHNXAZWEDSO	PHOENIX WEST
QWEST CORPORATION	PHNXAZBWDSO	PHOENIX-BETHANY WEST
QWEST CORPORATION	PHNXAZCADSO	PHOENIX-CACTUS
QWEST CORPORATION	PHNXAZEADSO	PHOENIX-EAST
QWEST CORPORATION	PHNXAZ81DSO	PHOENIX-FOOTHILLS
QWEST CORPORATION	PHNXAZGRDSO	PHOENIX-GREENWAY
QWEST CORPORATION	PHNXAZLVDSO	PHOENIX-LAVEEN
QWEST CORPORATION	PHNXAZMADS4	PHOENIX-MAIN
QWEST CORPORATION	PHNXAZMRDSO	PHOENIX-MID RIVERS
QWEST CORPORATION	PHNXAZNODS3	PHOENIX-NORTH
QWEST CORPORATION	PHNXAZNEDSO	PHOENIX-NORTHEAST
QWEST CORPORATION	PHNXAZNWDSO	PHOENIX-NORTHWEST
QWEST CORPORATION	PHNXAZPPDSO	PHOENIX-PECOS
QWEST CORPORATION	PHNXAZSODSO	PHOENIX-SOUTH
QWEST CORPORATION	PHNXAZSYDSO	PHOENIX-SUNNYSLOPE
QWEST CORPORATION	PIMAAZMARS1	PIMA
QWEST CORPORATION	PINEAZMARS1	PINE
QWEST CORPORATION	PRVYAZPPDSO	PINNACLE PEAK
QWEST CORPORATION	PRSCAZEARS2	PRESCOTT EAST
QWEST CORPORATION	PRSCAZMADSO	PRESCOTT MAIN
QWEST CORPORATION	HGLYAZQCDS2	QUEEN CREEK
QWEST CORPORATION	CMVRAZRRRS1	RIMROCK

ATTACHMENT A
Docket No. T-20802A-11-0174

QWEST CORPORATION	TCSNAZRND00	RINCON
QWEST CORPORATION	FTMDAZNORS1	RIO VERDE
QWEST CORPORATION	SFFRAZMADS0	SAFFORD
QWEST CORPORATION	SNMNAZMADS0	SAN MANUEL
QWEST CORPORATION	SCDLAZMADS0	SCOTTSDALE MAIN
QWEST CORPORATION	SEDNAZMADS0	SEDONA
QWEST CORPORATION	SEDNAZSORS3	SEDONA SOUTH
QWEST CORPORATION	SCDLAZSHDS0	SHEA
QWEST CORPORATION	SRVSAZMADS0	SIERRA VISTA MAIN
QWEST CORPORATION	SRVSAZNORS1	SIERRA VISTA NO
QWEST CORPORATION	SRVSAZSODS0	SIERRA VISTA SO
QWEST CORPORATION	SMTNAZMARS1	SOMERTON
QWEST CORPORATION	AGFIAZSRDS0	SUNRISE
QWEST CORPORATION	SPRRAZMARS1	SUPERIOR
QWEST CORPORATION	SPRSAZEADS0	SUPERSTITION EAST
QWEST CORPORATION	SPRSAZMADS0	SUPERSTITION MAIN
QWEST CORPORATION	SPRSAZWEDS0	SUPERSTITION WEST
QWEST CORPORATION	TCSNAZTVDS0	TANQUE VERDE
QWEST CORPORATION	TCSNAZCRDS0	TUSCON CRAYCROFT
QWEST CORPORATION	TCSNAZSODS0	TUSCON SOUTH
QWEST CORPORATION	TEMPAZMADS0	TEMPE MAIN
QWEST CORPORATION	SCDLAZTHDS0	THUNDERBIRD
QWEST CORPORATION	TLSNAZMADS0	TOLLESON
QWEST CORPORATION	TMBSAZMARS1	TOMBSTONE
QWEST CORPORATION	TNCKAZMARS1	TONTO CREEK
QWEST CORPORATION	TUBCAZMARS1	TUBAC
QWEST CORPORATION	TCSNAZEADS0	TUCSON EAST
QWEST CORPORATION	TCSNAZMADS1	TUCSON MAIN
QWEST CORPORATION	TCSNAZNODS0	TUCSON NORTH
QWEST CORPORATION	TCSNAZSWDS0	TUCSON SOUTHWEST
QWEST CORPORATION	TCSNAZWERS1	TUCSON WEST
QWEST CORPORATION	VAILAZNORS1	VAIL NORTH
QWEST CORPORATION	VAILAZSODS0	VAIL SOUTH
QWEST CORPORATION	WLTNAZMARS1	WELLTON
QWEST CORPORATION	WHTKAZMARS2	WHITE TANKS
QWEST CORPORATION	WHTLAZMADS0	WHITLOW
QWEST CORPORATION	WCBGAZMARS1	WICKENBURG
QWEST CORPORATION	WLCXAZMARS1	WILLCOX
QWEST CORPORATION	WLMSAZMARS1	WILLIAMS
QWEST CORPORATION	WNSLAZMADS1	WINSLOW
QWEST CORPORATION	WNBGAZ01RS1	WINTERSBURG
QWEST CORPORATION	YRNLAZMARS1	YARNELL
QWEST CORPORATION	YUMAAZMADS0	YUMA
QWEST CORPORATION	YUMAAZFTDS1	YUMA FORTUNA
QWEST CORPORATION	YUMAAZSEDS0	YUMA SOUTHEAST

ATTACHMENT A
Docket No. T-20802A-11-0174

FRONTIER	BLMSAZXFRSO	BLACK MESA
FRONTIER	CHNLAZXCRSO	CHINLE
FRONTIER	DLKNAZXCRSO	DILKON
FRONTIER	DNHSAZXCRL0	DENNEHOTSO
FRONTIER	FTDFAZXCRSO	FORT DEFIANCE
FRONTIER	GANDAZXCRSO	GANADO
FRONTIER	GSWDAZXCRSO	GREASEWOOD
FRONTIER	KABTAZXCRSO	KAI BETO
FRONTIER	KYNTAZXCRSO	KAYENTA
FRONTIER	LCH EAZXCRL0	LECH EE
FRONTIER	LEPPAZXCRSO	LEUPP
FRONTIER	LKCHAZXCRSO	LUKACHUKAI
FRONTIER	MNFRAZXCRSO	MANY FARMS
FRONTIER	PINNAZXCRS1	WHIPPORWILL-COTTONWD
FRONTIER	RDVYAZXCRL0	RED VALLEY
FRONTIER	RHRKAZXCRSO	ROUGH ROCK
FRONTIER	RKPNAZXCRL0	ROCK POINT
FRONTIER	SH NTAZXCRSO	SH ONTO
FRONTIER	STMCAZXEDSO	ST. MICHEALS/WINDOW
FRONTIER	TBCYAZXCRSO	TUBA CITY
FRONTIER	TNPSAZXRRS1	TEEC-NOS-POS
FRONTIER	TOYIAZXCRL0	TOYEI
FRONTIER	TSI LAZXCRSO	TSAI LE
FRONTIER	WDRNAZXCRL0	WIDE RUINS