

ORIGINAL

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MEMORANDUM



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TO: THE COMMISSION

Arizona Corporation Commission

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FROM: Utilities Division

JAN 15 2013

DATE: January 15, 2013



ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

RE: IN THE MATTER OF THE APPLICATION OF VIRGIN MOBILE USA, L.P.'S BRANDED "ASSURANCE WIRELESS BROUGHT TO YOU BY VIRGIN MOBILE" FOR DESIGNATION AS A WIRELESS ELIGIBLE TELECOMMUNICATIONS CARRIER IN THE STATE OF ARIZONA (LOW INCOME ONLY). (DOCKET NO. T-20827A-11-0461)

1. PROCEDURAL HISTORY

On December 21, 2011, Virgin Mobile USA, L.P. ("Virgin Mobile") filed a petition requesting designation as an Eligible Telecommunications Carrier ("ETC") pursuant to Section 214 (e)(2) of the Communication Act of 1934, as amended, (the "Act") and 47 C.F.R. §§54.101 and 201 of the rules of the Federal Communications Commission ("FCC"). In its Application, Virgin Mobile requests that the Arizona Corporation Commission ("ACC" or "Commission") designate it as a wireless ETC in the wire centers listed in Exhibit 1 of the Application for the purpose of receiving federal Universal Service Fund ("FUSF") support for low-income customers only (i.e., Lifeline¹). Virgin Mobile is not requesting high cost support.

On March 9, 2012, the Arizona Local Exchange Carriers Association ("ALECA") filed a motion to intervene.

On March 30, 2012, a Procedural Order granted ALECA's request for intervention in this proceeding.

On November 1, 2012, a Stipulation between ALECA and Virgin Mobile was filed in the docket.

2. BACKGROUND

Virgin Mobile was established as a joint venture between Sprint Nextel Corporation ("Sprint") and Virgin Group to offer prepaid wireless services using the Virgin Mobile brand and the Nationwide Sprint Network.² Virgin Mobile has been providing prepaid wireless services in Arizona since July 2002.³ On November 24, 2009, Virgin Mobile became a wholly owned

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.

² The FCC authorized the Company to provide international resold telecommunications services in 2001. See FCC File No. ITC-214-20020422-00194.

³ Response to Staff Data Request STF 1.3.

subsidiary of Sprint upon completion of the companies' previously announced transaction. The Federal Communications Commission ("FCC") approved Sprint's acquisition of Virgin Mobile effective September 11, 2009.⁴ Virgin Mobile has its principal offices at 10 Independence Blvd., Warren, NJ 07059.

Virgin Mobile currently serves approximately nine million (9,000,000) wireless customers⁵ in the states in which it operates, of which approximately four million (4,000,000) are Lifeline customers. Virgin Mobile has been granted ETC designation to provide wireless Lifeline services in thirty-five (35) jurisdictions⁶ and currently has applications pending to provide wireless Lifeline services in three (3) jurisdictions⁷, excluding Arizona. For its proposed designated service area in Arizona, Virgin Mobile provided a list of wire centers in which it intends to provide service and identified the incumbent local exchange carriers ("ILECs") serving each wire center in Exhibit 1 of the Application. Both non-rural and rural ILECs provide wireline service within the proposed designated service area.

3. REQUIREMENTS FOR DESIGNATION AS AN ETC AND VIRGIN MOBILE'S COMPLIANCE WITH THE REQUIREMENTS

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

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

Prior to Virgin Mobile becoming a wholly owned subsidiary of Sprint Nextel in November, 2010, Virgin Mobile purchased wireless network services on a wholesale basis from Sprint Nextel and had received forbearance from the FCC⁸ from the carrier owned facilities

⁴ See *International Authorizations Granted*, Public Notice, DA 09-2071 (rel. Sept. 17, 2009).

⁵ Response to Staff Data Request STF 2.1.

⁶ Response to Staff Data Request STF 1.4: Alabama, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Indiana, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin.

⁷ Response to Staff Data Request STF 1.5: Idaho, Minnesota, Missouri and New Mexico.

⁸ See *Federal-State Joint Board on Universal Service; In the Matter of Virgin Mobile USA, L.P. Petition for Forbearance from 47 U.S.C. § 214(e)(1)(A); Petitions for Designation as an Eligible Telecommunications Carrier*

requirement as outlined in section 214(e)(1) above. After the acquisition was completed, in FCC Order DA 10-2433,⁹ the FCC found that Virgin Mobile, as wholly owned affiliate of Sprint Nextel, “owns” Sprint Nextel’s facilities for purposes of the facilities requirement in section 214(e) of the Act. With Sprint Nextel’s acquisition of Virgin Mobile, the wholesaler-reseller relationship changed such that Virgin Mobile now has beneficial use of Sprint’s wireless facilities without arm’s length transactions or purchase of service from Sprint.¹⁰ Thus, the FCC found that Virgin Mobile has its “own facilities” for the purposes of meeting the section 214(e)(1) facilities requirement.

In order to be designated as an ETC, a carrier must offer Lifeline service to all qualifying low-income customers within its service area.¹¹ Lifeline service provides basic telephone service, typically by passing on discounts to monthly telecommunications charges. As a wireless reseller of prepaid wireless service, Virgin Mobile is proposing to offer qualified customers a free handset and under the basic plan, eligible customers will receive 250 anytime prepaid voice minutes and 250 text messages per month at no charge with additional service priced at \$0.10/voice minute and \$0.10/text message. Lifeline customers also have the option of purchasing blocks of additional voice minutes and text messages¹² but are not obligated to purchase the additional services voice minutes and text messages. Lifeline customers may select any option on a month-to-month basis and service offerings include all applicable taxes and fees.¹³

A. Offering the Services Designated for Support

On December 23, 2011, the FCC adopted and released an Order on Reconsideration in which the FCC modified, on its own motion, the definition of “voice telephony”, as adopted in the *USF/ICC Transformation Order*.¹⁴ In that Order, the FCC reduced its former list of nine

in the States of New York, North Carolina, Pennsylvania, Tennessee and Virginia, Order, FCC 09-18 (rel. March 5, 2009)(“2009 Order”).

⁹ See Federal-State Joint Board on Universal Service; In the Matter of Virgin Mobile USA, L.P. Petitions for Designation as an Eligible Telecommunications Carrier in the States of Alabama, Connecticut, Delaware, New Hampshire and Washington D.C., Order, DA 10-2433 (rel. Dec. 29, 2010) (“2010 Order”) (See Application, Exhibit 2).

¹⁰ Letter from Antoinette Cook Bush, Counsel, Virgin Mobile USA, L.P., to Marlene H. Dortch, Secretary, FCC, at 2 & 3 n.7 (June 9, 2009) (Virgin Mobile June 9 *Ex Parte* Letter). The Commission previously concluded that entities “enjoying the beneficial use of property” may consider that property their “own.” See *Universal Service First Report and Order*, 12 FCC Rcd at 8865, para. 158.

¹¹ 47 C.F.R. §§ 54.405 and 54.411(a)

¹² Options include: add \$5 to a Lifeline account to purchase an additional 250 monthly minutes, providing them with a total of 500 voice minutes in a month (250 free minutes plus 250 additional minutes) or add \$20 to a Lifeline account to purchase an additional 750 voice minutes, providing them with a total of 1,000 voice minutes (250 free minutes plus 750 additional minutes).

¹³ Minutes and text messages do not carry forward from month-to-month. Customers may incur state sales tax and fees at the point of purchase should the customer choose to add minutes to their account.

¹⁴ 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,

supported services to four supported services and amended 47 C.F.R. § 54.101 to specify the “voice telephony services” supported by federal universal service support mechanisms.¹⁵

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

- (1) Voice grade access to the Public Switched Network. “Voice grade access to the Public Switched Network” is defined as a functionality that enables a user of telecommunications services to transmit voice communications, including signaling the network that the caller wishes to place a call, and receive voice communications, including receiving a signal indicating there is an incoming call. For purposes of this Part, bandwidth for voice grade access should be, at a minimum, 300 to 3,000 Hertz. Virgin Mobile states¹⁶ it provides dual tone multi-frequency (“DTMF”) signaling to expedite the transmission of call set up and call detail information throughout its network. All wireless handsets offered for sale by Virgin Mobile are DTMF-capable.
- (2) Local usage. “Local usage” means minutes of use for local exchange service, prescribed by the Federal Communications Commission, provided free of charge to end users. Virgin Mobile states¹⁷ it will provide Lifeline customers with minutes of use for local service at no additional charge to customers.
- (3) Access to emergency services. “Access to emergency services” includes access to services, such as 911 and enhanced 911, provided by local governments or other public safety organizations. 911 is defined as a service that permits a telecommunications user, by dialing the three-digit code “911”, to call emergency services through a Public Safety Access Point (“PSAP”) operated by the local government. “Enhanced 911” is defined as 911 service that includes the ability to provide automatic numbering information (“ANI”), which enables the PSAP to call back if the call is disconnected, and automatic location identification (“ALI”), which permits emergency service providers to identify the geographic location of the calling party. “Access to emergency services” includes access to 911 and enhanced 911 services to the extent the local government in an eligible carrier’s service area has implemented 911 or enhanced 911 systems. Virgin Mobile states¹⁸ it provides nationwide access to 911 emergency services for all of its customers. Virgin Mobile also complies with the FCC’s regulations governing the deployment and availability of E911 compatible handsets.

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.

¹⁵ *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).

¹⁶ Application, Page 18, lines 18-20.

¹⁷ Application, Page 18, Lines 8-11.

¹⁸ Application, Page 19, Lines 1-3.

- (4) Toll Limitation for Qualifying Low-Income Consumers. “Toll limitation denotes either toll blocking or toll control for eligible telecommunications carriers that are incapable of providing both services. For eligible telecommunications carriers that are capable of providing both services, ‘toll limitation’ denotes toll blocking and toll control.”¹⁹ In the *Lifeline Reform Order* the FCC relieved ETCs of the obligation to offer toll limitation services if their Lifeline offering does not distinguish in the pricing of toll and non-toll calls.²⁰ Virgin Mobile’s wireless calling plans do not distinguish between non-toll (i.e. local) and toll. Virgin Mobile’s prepaid plans include a specific number of minutes that cannot be exceeded. Therefore, customers cannot incur any charges for excessive toll calling or be disconnected for non-payment.

In its application, Virgin Mobile states it is a common carrier and will offer all of the supported services using its own facilities in the proposed ETC designated service area to all subscribers taking service under its Lifeline plan. Based on the above information and explanations, Staff believes that Virgin Mobile meets this ETC designation criteria.

B. Advertising of Supported Services

47 U.S.C. § 214(e)(1)(B) requires a common carrier designated as an eligible telecommunications carrier to advertise the availability of such services and the corresponding charges using media of general distribution. Virgin Mobile states²¹ that it will advertise the availability and rates for the services described above using media of general distribution in conformance with the FCC’s regulations.²² Virgin Mobile currently advertises the availability of its non-Lifeline services through newspapers, magazines, radio, the Internet, billboards and television and will supplement these methods of communication to specifically advertise and promote the availability of its Lifeline offerings to qualifying customers throughout the State of Arizona. Advertisements will be both English and Spanish.²³ Virgin Mobile submitted examples of prior relevant advertisements to Staff.

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

¹⁹ 47 C.F.R. § 54.400(d).

²⁰ *Lifeline Reform Order*, ¶238.

²¹ Application, Page 21, Lines 1-11.

²² See 47 C.F.R. § 54.201.

²³ Response to Staff Data Request STF 1.39.

C. Additional ETC Requirements

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

C.1 A Commitment and Ability to Provide Supported Services

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

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

(ii) Submit a five-year plan that describes with specificity proposed improvements or upgrades to the applicant's network throughout its proposed service area. Each applicant shall estimate the area and population that will be served as a result of the improvements. Except, a common carrier seeking designation as an eligible telecommunications carrier in order to provide supported services only under subpart E of this part does not need to submit such a five-year plan.²⁴

Virgin Mobile states²⁵ it will provide all of the services and functionalities supported by the universal service program throughout its service territory in the State of Arizona. Virgin Mobile states that it will make these Lifeline services and functionalities available in a timely manner to any qualifying Arizona customer in the Company's service area. The requirement directing submissions of a formal network improvement plan under 47 C.F.R. § 54.202(a)(1)(ii) does not apply to Virgin Mobile because it is seeking only to provide supported services under subpart E of this part, i.e. Lifeline only.

Based on the above information, Staff believes that Virgin Mobile meets this ETC designation criteria.

C.2 Remain Functional in Emergency Situations

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

²⁴ *Lifeline Reform Order*, ¶ 386.

²⁵ Application, Page 16, Lines 14-23.

²⁶ *Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 05-46* (rel. March 17, 2005) ("*ETC Minimum Requirements Report and Order*" or "*Report and Order*"). ¶ 25.

To demonstrate its ability to remain functional in emergency situations, Virgin Mobile states²⁷ that as a wholly owned subsidiary of Sprint Nextel, it is able to remain functional in emergency situations as required by 47 C.F.R. § 54.202(a)(2). Sprint Nextel has established a variety of internal programs, policies and teams dedicated to analyzing, assessing and responding to emergency situations and Sprint Nextel's network is monitored 24 hours a day, 7 days a week, 365 days a year by its network monitoring centers. In addition, Sprint Nextel has reasonable amounts of back-up power to ensure functionality without an external power source, and has implemented reasonable practices to reroute traffic around damaged facilities and manage traffic spikes resulting from emergency situations. Each cell site in the Sprint network is equipped with two hours of battery back-up power. Sprint Nextel is also capable of rerouting traffic around damaged facilities. Many cell sites in the Sprint Nextel network provide overlapping coverage for neighboring areas, and such design redundancy ensures that coverage continues in the event of damage to a particular facility. In the event of a major failure of a cell site, neighboring sites could be adjusted to provide coverage to a wider service area. These practices significantly reduce the chance that emergencies, fiber cuts or equipment failure will result in a loss of service.

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

C.3 Satisfy Consumer Protection and Service Quality Standards

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

To demonstrate its ability to satisfy consumer protection and service quality standards, Virgin Mobile states²⁹ it has provided high quality wireless service in Arizona for several years, is committed to continuing to deliver quality wireless service to its customers and to meeting its consumer protection obligations. To demonstrate its commitment to high service quality, Virgin Mobile states³⁰ it has complied with the Cellular Telecommunications and Internet Association's ("CTIA") Consumer Code for Wireless Service since its inception and will continue to comply with the Consumer Code as an ETC.

Based on the above information, Staff believes that Virgin Mobile meets this ETC designation criteria.

²⁷ Application, Page 20, Lines 2-23.

²⁸ *ETC Minimum Requirements Report and Order*, ¶ 28.

²⁹ Application, Page 21, Lines 16-19.

³⁰ Application, Page 23, Lines 18-20.

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

In 47 C.F.R. § 54.202(a)(4), the FCC requires a Lifeline-only ETC applicant to demonstrate that it is financially and technically capable of providing the Lifeline service in compliance with subpart E of this part. In the *Lifeline Reform Order*³¹ the FCC provides guidance on specific information to be considered when determining if an applicant meets this requirement:

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

To demonstrate that Sprint, as the parent company for Virgin Mobile, is financially and technically capable of providing Lifeline service, Virgin Mobile states³² that Sprint’s wireless segment generates revenues from the sale of wireless services, the sale of wireless devices and accessories and the sale of wholesale and other services. Sprint’s retail market comprises those subscribers to whom Sprint directly provides wireless services, whether those services are provided on a postpaid or prepaid basis. Sprint is also a provider of wholesale wireless services and affiliates relationships and other arrangements through which wireless services are sold by Sprint to other companies that resell those services to subscribers. Thus, Virgin Mobile states Sprint will not need to rely exclusively on USF support to provide wireless Lifeline services. As noted on page 2 above, Virgin Mobile currently has been granted ETC designation to provide wireless Lifeline services in thirty-five (35) jurisdictions and currently has applications pending to provide wireless Lifeline services in three (3) jurisdictions. Further, Virgin Mobile has not been subject to any enforcement action at the FCC or in any state and that no ETC designations held by Virgin Mobile have been rescinded, revoked or terminated by the FCC or by any state since Sprint’s acquisition of Virgin Mobile in November 2009.

Having reviewed Virgin Mobile’s financial statements and based on the above information, Staff believes that Virgin Mobile meets this ETC designation criteria.

Virgin Mobile is currently in litigation³³ with the Arizona Department of Revenue (“ADOR”) regarding the applicability of Arizona Emergency Telecommunications Services Revolving Fund (“AETSRF”) as required in A.R.S. R42-5252(A) and 42-5253(A) (the E911 Assessment) to Virgin Mobile’s prepaid wireless services. At this time, Virgin Mobile has filed a Motion for Reconsideration of the Court of Appeals’ August 2, 2012 decision that upheld a tax

³¹ See *Lifeline Reform Order*, ¶388.

³² Response to Staff Data Request STF 2.3(a).

³³ *Virgin Mobile USA, LP (fka Virgin Mobile USA, LLC) v. Arizona Department of Revenue*, CA TX 11-0005, Arizona Tax Court Cause No. TX2009-000238, Opinion (APP. 2012).

court ruling and determined that Virgin Mobile USA L.P. is liable for E911 assessment on its prepaid wireless phone services under state statute.³⁴

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

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

Virgin Mobile provided Staff with its informational tariff³⁵ in which it describes the calling plans for Lifeline subscribers, including the number of free minutes in each calling plan, along with the terms and conditions of Lifeline service as provided by Virgin Mobile. Based on the information contained in Virgin Mobile's informational tariff, Staff believes that Virgin Mobile meets this ETC designation criteria.

D. Steps to Limit Fraud, Waste and Abuse of the FUSF

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

In response to the FCC's various new measures and revised or eliminated other existing measures in order to limit fraud, waste and abuse FUSF, Virgin Mobile states³⁶ that a number of practices adopted in FCC 12-11 have been practiced and in place for some time. Examples are the 60-day non-usage policy, annual certification of the entire Lifeline customer base, support based on actual customer counts, and robust marketing disclosure. Virgin Mobile will revise its Lifeline application form to collect additional customer information and certifications, implement uniform federal eligibility criteria, implement new customers eligibility verification procedures, enroll Lifeline eligible customers residing at temporary addresses, and enroll

³⁴ Response to Staff Data Request STF 2.4(a).

³⁵ Response to Staff Data Request STF 1.54.

³⁶ Response to Staff Data Request STF 1.58.

separate economic units at the same address where proper documentation is provided. Virgin Mobile will verify the eligibility of its entire Lifeline customer base as of June 1, 2012, and revise its annual verification form to reflect new information gathering and certification requirements. Finally, Virgin Mobile will comply with reporting and audit requirements set forth in the *Lifeline Reform Order*.

E. Public Interest Determination

Under Section 214 of the Act, the FCC and state commissions must determine that an ETC designation is consistent with the public interest, convenience and necessity for rural areas. They also must consider whether an ETC designation serves the public interest consistent with Section 254 of the Act. Congress did not establish specific criteria to be applied under the public interest tests in Sections 214 or 254. The public interest benefits of a particular ETC designation must be analyzed in a manner that is consistent with the purposes of the Act itself, including the fundamental goals of preserving and advancing universal service; ensuring the availability of quality telecommunications services at just, reasonable, and affordable rates; and promoting the deployment of advanced telecommunications and information services to all regions of the nation, including rural and high-cost areas.³⁷ Accordingly, before designating a carrier as an ETC, the Commission must make an affirmative determination that such designation is in the public interest, regardless of whether the applicant seeks designation in an area served by a rural or non-rural carrier.

Virgin Mobile states that designating it as a wireless ETC would promote the public interest because it would provide qualifying Arizona customers with lower prices and higher quality wireless services, and serve the needs of low-income customers in Arizona by increasing customer choice in the areas it serves. The public interest benefits associated with Virgin Mobile's wireless service include larger local calling areas (as compared to traditional wireline carriers), the convenience and personal security afforded by mobile telephone service, the opportunity for customers to receive a high-value wireless plan and emergency services in accordance with FCC Rules. Additionally, ETC status will promote universal service by allowing Virgin Mobile to offer wireless service to many low-income customers who may not be able to otherwise have service. Virgin Mobile's Lifeline calling plans are designed to provide service to Lifeline consumers who, due to credit or deposit requirements, may not be able to obtain telephone service from more traditional wireline and wireless service providers.

F. Designated Service Area

The Commission must establish a geographic area for the purpose of determining universal service obligations and support mechanisms for each designated ETC. *See* 47 U.S.C. § 214(e)(2); 47 C.F.R. § 54.201(b). Virgin Mobile requests that the Commission designate it as an ETC for the service area consisting of each of the wire centers listed in Exhibit 1 of the Application, which includes area served by non-rural and rural ILEC, excluding tribal lands.

³⁷ *ETC Minimum Requirements Report and Order*, ¶ 40.

Virgin Mobile explains³⁸ that because wire centers are not intended to denote wireless coverage, there are a number of wire centers that are not fully covered in Virgin Mobile's proposed designated service area. On Exhibit 1 of Virgin Mobile's application, wire center coverage is indicated as "partial" or "full". The wire center and the coverage area information is provided in Attachment 1.

G. Reporting Requirement for Prepaid Wireless Deactivations

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

4. INTERVENOR

A. ARIZONA LOCAL EXCHANGE CARRIERS ASSOCIATION

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

³⁸ Response to STF 1.12(a).

B. JOINT STIPULATION

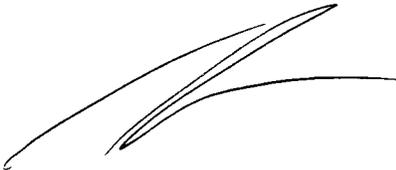
On November 1, 2012, ALECA and Virgin Mobile filed a Stipulation in the docket. In the Stipulation, to address the potential concerns expressed by ALECA, Virgin Mobile agreed not to provide Lifeline service to eligible residents residing on Federally-recognized Tribal Lands in Arizona. In addition, Virgin Mobile agreed that its Lifeline enrollment application for Arizona will require an applicant to provide a street address and include a provision that requires an applicant to self-certify under penalty of perjury that they do not reside on Federally-recognized Tribal Lands.

5. STAFF RECOMMENDATIONS

Staff recommends Virgin Mobile's Application for designation as an ETC be granted subject to the following conditions:

- a. Virgin Mobile shall file a tariff, in this docket, setting forth the rates, terms and conditions for its Lifeline service within thirty (30) days of a Commission Order in this matter;
- b. Virgin Mobile shall notify the Commission of any future changes to its rates, terms and/or conditions regarding its Lifeline offerings and file such changes in its tariff and amend its tariff in compliance with A.R.S. § 40-367;
- c. Virgin Mobile shall make available Lifeline services to qualifying low-income applicants in its ETC service area no later than ninety (90) days after a Commission decision in this matter and shall concurrently notify the Commission, by making a filing in Docket Control, in this docket, of the commencement date for such services;
- d. Virgin Mobile shall apprise the Commission of any customer complaints that may arise from its ETC service offerings by making a filing in Docket Control in this docket;
- e. Virgin Mobile shall provide a regulatory contact to the Commission by making a filing in Docket Control in this docket;
- f. In the event that Virgin Mobile requests to relinquish its ETC status and no longer provides Lifeline services, it must provide notice to both the Commission and its customers. Such notice(s) shall be in accordance with A.A.C. R14-2-1107;
- g. Virgin Mobile shall submit in Docket Control an annual report by April 15th of each year, beginning April 15, 2014, that contains its total number of Lifeline subscribers, total amount of Federal USF support received and an affidavit stating that the Lifeline discounts or the equivalent are equal to the amount of total Federal USF support per line. The annual filing shall be submitted as a compliance item in this docket;

- h. Virgin Mobile shall submit in Docket Control, as a compliance item in this docket, a quarterly report detailing the total number of Lifeline customers, the total number of customers removed from the customer base due to 60-day inactivity, the number of customers removed from the customer base due to annual verification and the total number of customers who voluntarily relinquished Lifeline service. In compiling the data for these reports, Virgin Mobile must comply with 47 C.F.R. §54.405(e)(3), in which the FCC outlines the deenrollment policy for non-usage and 47 C.F.R. §54.407(c), in which the FCC defines 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 July 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 control³⁹ that involves Virgin Mobile, 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. Virgin Mobile 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.



Steven M. Olea
Director
Utilities Division

SMO:LLM:sms\MAS

ORIGINATOR: Lori Morrison

³⁹ On November 27, 2012, Sprint filed an application/notice of intent with the Commission on behalf of itself and its Arizona affiliates, including Virgin Mobile, SOFTBANK CORP. ("Softbank") and Starburst II, Inc. ("Starburst II), in Docket Nos. T-02432B-12-0474 and T-20827A-12-0474. In this filing, Sprint seeks a Limited Waiver of the Commission's Affiliated Interest rule or submits a Notice of Intent in relation to a transaction in which Softbank, through its newly formed affiliate Starburst II, will invest \$20.1 billion in Sprint and indirectly acquire approximately 70 percent of the shares of Sprint. This transaction is at the parent holding company level. Staff does not recommend that Virgin Mobile be required to file a new ETC petition, contingent upon the disposition of the dockets listed in this footnote.

ATTACHMENT 1

Attachment 1
Docket No. T-20827A-11-0461
VIRGIN MOBILE USA, LP - COVERED WIRE CENTERS

QWEST CORPORATION
QWEST CORPORATION

TEMPAZMC
TLSNAZMA

Partial wire center coverage

Company Name

ACCIPITER COMMUNICATIONS INC
ARIZONA TELEPHONE CO.
CITIZENS TELECOM CO OF WHT MTNS INC.
CITIZENS UTILITIES RURAL DBA FRONTIER UT RURAL
COPPER VALLEY TELEPHONE, INC.
COPPER VALLEY TELEPHONE, INC.
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC - AZ
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC - AZ
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC - AZ
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC - CA
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC - CA
MIDVALE TELEPHONE EXCHANGE, INC.
QWEST CORPORATION
QWEST CORPORATION
QWEST CORPORATION
QWEST CORPORATION
QWEST CORPORATION

CLLI

PEORAZFS
BLRGAZXC
DTLDAZ01
HRVYAZXC
MMLKAZXC
RSVTAZXC
SASBAZXC
TNBSAZXC
CIBCAZXC
HLBKAZXC
SNWFAZXC
STJHAZXB
BLCYAZXC
BLCYAZXE
CSRKAZXC
DLSPA ZXC
GLVYAZXC
KGMNAZXC
KGMNAZXE
LHCYAZXC
MHVYAZXC
TXTNAZAB
YUCCAZXC
DNCNAZXC
ELFRAZXC
BOUSAZXC
CIBLAZXC
EHRNAZXF
PRDMAZXC
PSTNAZXC
CSELAZXC
DEWYAZ01
ELOYAZ05
SCDMAZ89
YONGAZXC
AGFIAZSR
ASFKAZMA
AZCYAZ03
BCKYAZMA
BISBAZMA

Attachment 1
Docket No. T-20827A-11-0461
VIRGIN MOBILE USA, LP - COVERED WIRE CENTERS

QWEST CORPORATION	PRSCAZMA
QWEST CORPORATION	PRVYAZPP
QWEST CORPORATION	PTGNAZEL
QWEST CORPORATION	PTGNAZMA
QWEST CORPORATION	PYSNAZMA
QWEST CORPORATION	SCDLAZMA
QWEST CORPORATION	SEDNAZMA
QWEST CORPORATION	SEDNAZSO
QWEST CORPORATION	SFFRAZMA
QWEST CORPORATION	SMTNAZMA
QWEST CORPORATION	SNMNAZMA
QWEST CORPORATION	SPRRAZMA
QWEST CORPORATION	SPRSAZEA
QWEST CORPORATION	SPRSAZMA
QWEST CORPORATION	SPRSAZWE
QWEST CORPORATION	SRVSAZMA
QWEST CORPORATION	SRVSAZNO
QWEST CORPORATION	SRVSAZSO
QWEST CORPORATION	STFDAZMA
QWEST CORPORATION	TCSNAZML
QWEST CORPORATION	TCSNAZNO
QWEST CORPORATION	TCSNAZSW
QWEST CORPORATION	TMBSAZMA
QWEST CORPORATION	TNCKAZMA
QWEST CORPORATION	TUBCAZMA
QWEST CORPORATION	VAILAZNO
QWEST CORPORATION	VAILAZSO
QWEST CORPORATION	WCBGAZMA
QWEST CORPORATION	WHTKAZMA
QWEST CORPORATION	WHTLAZMA
QWEST CORPORATION	WLCXAZMA
QWEST CORPORATION	WLMSAZMA
QWEST CORPORATION	WLTNAZMA
QWEST CORPORATION	WNBGAZ01
QWEST CORPORATION	WNSLAZMA
QWEST CORPORATION	YUMAAZFT
QWEST CORPORATION	YUMAAZMA
QWEST CORPORATION	YUMAAZSE
RIO VIRGIN TELEPHONE CO., INC.	BVDMAZ01
SOUTH CENTRAL UTAH TELEPHONE ASSOCIATION, INC.	CLCYAZAA
SOUTHWESTERN TELEPHONE CO.	QRTZAZXC
SOUTHWESTERN TELEPHONE CO.	SALMAZXC
TABLE TOP TELEPHONE CO., INC.	AGULAZXC
TABLE TOP TELEPHONE CO., INC.	PRSCAZFW
TABLE TOP TELEPHONE CO., INC.	SGMNAZXC

VIRGIN MOBILE USA, LP - COVERED WIRE CENTERS

TABLE TOP TELEPHONE CO., INC.

VALLEY TELEPHONE COOPERATIVE, INC.

SNDRAZXC

BONTAZXC

BOWIAZXC

PERCAZXC

PRTLAZXC

SNSMAZXC

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 BOB STUMP
3 Chairman
4 GARY PIERCE
5 Commissioner
6 BRENDA BURNS
7 Commissioner
8 BOB BURNS
9 Commissioner
10 SUSAN BITTER SMITH
11 Commissioner
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IN THE MATTER OF THE APPLICATION
OF VIRGIN MOBILE USA, L.P.'S
BRANDED "ASSURANCE WIRELESS
BROUGHT TO YOU BY VIRGIN MOBILE"
FOR DESIGNATION AS A WIRELESS
ELIGIBLE TELECOMMUNICATIONS
CARRIER IN THE STATE OF ARIZONA
(LOW INCOME ONLY).

DOCKET NO. T-20827A-11-0461

DECISION NO. _____

ORDER

Open Meeting
January 30-31, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On December 21, 2011, Virgin Mobile USA, L.P. ("Virgin Mobile") filed a petition requesting designation as an Eligible Telecommunications Carrier ("ETC") pursuant to Section 214 (e)(2) of the Communication Act of 1934, as amended, (the "Act") and 47 C.F.R. §§54.101 and 201 of the rules of the Federal Communications Commission ("FCC"). In its Application, Virgin Mobile requests that the Arizona Corporation Commission ("ACC" or "Commission") designate it as a wireless ETC in the wire centers listed in Exhibit 1 of the Application for the purpose of receiving federal Universal Service Fund ("FUSF") support for low-income customers only (i.e., Lifeline¹). Virgin Mobile is not requesting high cost support.

...

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.

1 2. On March 9, 2012, the Arizona Local Exchange Carriers Association (“ALECA”)
2 filed a motion to intervene.

3 3. On March 30, 2012, a Procedural Order granted ALECA’s request for intervention
4 in this proceeding.

5 4. On November 1, 2012, a Stipulation between ALECA and Virgin Mobile was filed
6 in the docket.

7 **BACKGROUND**

8 5. Virgin Mobile was established as a joint venture between Sprint Nextel Corporation
9 (“Sprint”) and Virgin Group to offer prepaid wireless services using the Virgin Mobile brand and
10 the Nationwide Sprint Network.² Virgin Mobile has been providing prepaid wireless services in
11 Arizona since July 2002.³ On November 24, 2009, Virgin Mobile became a wholly owned
12 subsidiary of Sprint upon completion of the companies’ previously announced transaction. The
13 Federal Communications Commission (“FCC”) approved Sprint’s acquisition of Virgin Mobile
14 effective September 11, 2009.⁴ Virgin Mobile has its principal offices at 10 Independence Blvd.,
15 Warren, NJ 07059.

16 6. Virgin Mobile currently serves approximately nine million (9,000,000) wireless
17 customers,⁵ of which approximately four million (4,000,000) are Lifeline customers. Virgin
18 Mobile has been granted ETC designation to provide wireless Lifeline services in thirty-five (35)
19 jurisdictions⁶ and currently has applications pending to provide wireless Lifeline services in three
20 (3) jurisdictions⁷, excluding Arizona. For its proposed designated service area in Arizona, Virgin
21 Mobile provided a list of wire centers in which it intends to provide service and identified the
22 incumbent local exchange carriers (“ILECs”) serving each wire center in Exhibit 1 of the

23
24 ² The FCC authorized the Company to provide international resold telecommunications services in 2001. *See* FCC File No. ITC-214-20020422-00194.

25 ³ Response to Staff Data Request STF 1.3.

26 ⁴ *See International Authorizations Granted*, Public Notice, DA 09-2071 (rel. Sept. 17, 2009).

27 ⁵ Response to Staff Data Request STF 2.1.

28 ⁶ Response to Staff Data Request STF 1.4: Alabama, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Indiana, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin.

⁷ Response to Staff Data Request STF 1.5: Idaho, Minnesota, Missouri and New Mexico.

1 Application. Both non-rural and rural ILECs provide wireline service within the proposed
2 designated service area.

3 **REQUIREMENTS FOR DESIGNATION AS AN ETC AND VIRGIN MOBILE'S**
4 **COMPLIANCE WITH THE REQUIREMENTS**

5 7. Designation as an ETC makes a carrier eligible to receive federal universal service
6 funds. The requirements for designation of ETCs are specified by federal law in 47 U.S.C. §
7 214(e)(1), which states:

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

16 8. Prior to Virgin Mobile becoming a wholly owned subsidiary of Sprint Nextel in
17 November, 2010, Virgin Mobile purchased wireless network services on a wholesale basis from
18 Sprint Nextel and had received forbearance from the FCC⁸ from the carrier owned facilities
19 requirement as outlined in section 214(e)(1) above. After the acquisition was completed, in FCC
20 Order DA 10-2433,⁹ the FCC found that Virgin Mobile, as wholly owned affiliate of Sprint Nextel,
21 "owns" Sprint Nextel's facilities for purposes of the facilities requirement in section 214(e) of the
22 Act. With Sprint Nextel's acquisition of Virgin Mobile, the wholesaler-reseller relationship
23 changed such that Virgin Mobile now has beneficial use of Sprint's wireless facilities without
24

25 ⁸ See *Federal-State Joint Board on Universal Service; In the Matter of Virgin Mobile USA, L.P. Petition for*
26 *Forbearance from 47 U.S. C. § 214(e)(1)(A); Petitions for Designation as an Eligible Telecommunications Carrier in*
the States of New York, North Carolina, Pennsylvania, Tennessee and Virginia, Order, FCC 09-18 (rel. March 5,
2009)("2009 Order").

27 ⁹ See *Federal-State Joint Board on Universal Service; In the Matter of Virgin Mobile USA, L.P. Petitions for*
28 *Designation as an Eligible Telecommunications Carrier in the States of Alabama, Connecticut, Delaware, New*
Hampshire and Washington D.C., Order, DA 10-2433 (rel. Dec. 29, 2010) ("2010 Order") (See Application, Exhibit
2).)

1 arm's length transactions or purchase of service from Sprint.¹⁰ Thus, the FCC found that Virgin
2 Mobile has its "own facilities" for the purposes of meeting the section 214(e)(1) facilities
3 requirement.

4 9. In order to be designated as an ETC, a carrier must offer Lifeline service to
5 all qualifying low-income customers within its service area. Lifeline service provides basic
6 telephone service, typically by passing on discounts to monthly telecommunications charges. As a
7 wireless reseller of prepaid wireless service, Virgin Mobile is proposing to offer qualified
8 customers a free handset and under the basic plan, eligible customers will receive 250 anytime
9 prepaid voice minutes and 250 text messages per month at no charge with additional service priced
10 at \$0.10/voice minute and \$0.10/text message. Lifeline customers also have the option of
11 purchasing blocks of additional voice minutes and text messages¹¹ but are not obligated to
12 purchase the additional services voice minutes and text messages. Lifeline customers may select
13 any option on a month-to-month basis and service offerings include all applicable taxes and fees.¹²

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

15 10. On December 23, 2011, the FCC adopted and released an Order on Reconsideration
16 in which the FCC modified, on its own motion, the definition of "voice telephony", as adopted in
17 the *USF/ICC Transformation Order*.¹³ In that Order, the FCC reduced its former list of nine

18 ...

19 ...

20 _____
21 ¹⁰ Letter from Antoinette Cook Bush, Counsel, Virgin Mobile USA, L.P., to Marlene H. Dortch, Secretary, FCC, at 2
22 & 3 n.7 (June 9, 2009) (Virgin Mobile June 9 *Ex Parte* Letter). The Commission previously concluded that entities
23 "enjoying the beneficial use of property" may consider that property their "own." See *Universal Service First Report*
24 *and Order*, 12 FCC Rcd at 8865, para. 158.

25 ¹¹ Options include: add \$5 to a Lifeline account to purchase an additional 250 monthly minutes, providing them with a
26 total of 500 voice minutes in a month (250 free minutes plus 250 additional minutes) or add \$20 to a Lifeline account
27 to purchase an additional 750 voice minutes, providing them with a total of 1,000 voice minutes (250 free minutes plus
28 750 additional minutes).

¹² Minutes and text messages do not carry forward from month-to-month. Customers may incur state sales tax and fees
at the point of purchase should the customer choose to add minutes to their account.

¹³ 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.

1 supported services to four supported services and amended 47 C.F.R. § 54.101 to specify the
2 “voice telephony services” supported by federal universal service support mechanisms.¹⁴

3 11. 47 C.F.R. § 54.101, sets forth the services that a carrier must offer in order to
4 receive Federal universal service fund support. The services and Virgin Mobile’s response to the
5 provision of each service are as follows:

6 (a) Voice grade access to the Public Switched Network. “Voice grade access to the
7 Public Switched Network” is defined as a functionality that enables a user of
8 telecommunications services to transmit voice communications, including signaling the
9 network that the caller wishes to place a call, and receive voice communications,
10 including receiving a signal indicating there is an incoming call. For purposes of this
11 Part, bandwidth for voice grade access should be, at a minimum, 300 to 3,000 Hertz.
Virgin Mobile states¹⁵ it provides dual tone multi-frequency (“DTMF”) signaling to
expedite the transmission of call set up and call detail information throughout its
network. All wireless handsets offered for sale by Virgin Mobile are DTMF-capable.

12 (b) Local usage. “Local usage” means minutes of use for local exchange service,
13 prescribed by the Federal Communications Commission, provided free of charge to end
14 users. Virgin Mobile states¹⁶ it will provide Lifeline customers with minutes of use for
local service at no additional charge to customers.

15 (c) Access to emergency services. “Access to emergency services” includes access to
16 services, such as 911 and enhanced 911, provided by local governments or other public
17 safety organizations. 911 is defined as a service that permits a telecommunications
18 user, by dialing the three-digit code “911”, to call emergency services through a Public
19 Safety Access Point (“PSAP”) operated by the local government. “Enhanced 911” is
20 defined as 911 service that includes the ability to provide automatic numbering
21 information (“ANI”), which enables the PSAP to call back if the call is disconnected,
22 and automatic location identification (“ALI”), which permits emergency service
23 providers to identify the geographic location of the calling party. “Access to emergency
24 services” includes access to 911 and enhanced 911 services to the extent the local
25 government in an eligible carrier’s service area has implemented 911 or enhanced 911
systems. Virgin Mobile states¹⁷ it provides nationwide access to 911 emergency
services for all of its customers. Virgin Mobile also complies with the FCC’s
regulations governing the deployment and availability of E911 compatible handsets.

26 (d) Toll Limitation for Qualifying Low-Income Consumers. “Toll limitation denotes
27 either toll blocking or toll control for eligible telecommunications carriers that are
28 incapable of providing both services. For eligible telecommunications carriers that are

14 *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).

15 Application, Page 18, lines 18-20.

16 Application, Page 18, Lines 8-11.

17 Application, Page 19, Lines 1-3.

1 capable of providing both services, 'toll limitation' denotes toll blocking and toll
2 control."¹⁸ In the *Lifeline Reform Order* the FCC relieved ETCs of the obligation to
3 offer toll limitation services if their Lifeline offering does not distinguish in the pricing
4 of toll and non-toll calls.¹⁹ Virgin Mobile's wireless calling plans do not distinguish
5 between non-toll (i.e. local) and toll. Virgin Mobile's prepaid plans include a specific
6 number of minutes that cannot be exceeded. Therefore, customers cannot incur any
7 charges for excessive toll calling or be disconnected for non-payment.

8 12. In its application, Virgin Mobile states it is a common carrier and will offer all of
9 the supported services using its own facilities in the proposed ETC designated service area to all
10 subscribers taking service under its Lifeline plan. Based on the above information and
11 explanations, Staff believes that Virgin Mobile meets this ETC designation criteria.

12 **B. ADVERTISING OF SUPPORTED SERVICES**

13 13. 47 U.S.C. § 214(e)(1)(B) requires a common carrier designated as an eligible
14 telecommunications carrier to advertise the availability of such services and the corresponding
15 charges using media of general distribution. Virgin Mobile states²⁰ that it will advertise the
16 availability and rates for the services described above using media of general distribution in
17 conformance with the FCC's regulations.²¹ Virgin Mobile currently advertises the availability of
18 its non-Lifeline services through newspapers, magazines, radio, the Internet, billboards and
19 television and will supplement these methods of communication to specifically advertise and
20 promote the availability of its Lifeline offerings to qualifying customers throughout the State of
21 Arizona. Advertisements will be both English and Spanish.²² Virgin Mobile submitted examples
22 of prior relevant advertisements to Staff.

23 14. Based on the information above and Virgin Mobile's advertising materials provided
24 to Staff, Staff concludes that Virgin Mobile will advertise the availability of its supported services
25 and the corresponding charges using media of general distribution as required by 47 U.S.C. §
26 214(e)(1)(B). Staff believes that Virgin Mobile meets this ETC designation criteria.

27 ¹⁸ 47 C.F.R. § 54.400(d).

28 ¹⁹ *Lifeline Reform Order*, ¶238.

²⁰ Application, Page 21, Lines 1-11.

²¹ See 47 C.F.R. § 54.201.

²² Response to Staff Data Request STF 1.39.

1 **C. ADDITIONAL ETC REQUIREMENTS**

2 15. In addition to the requirements listed above, the FCC adopted, in the Lifeline
3 Reform Order, comprehensive reforms to the low-income program to revise and modernize the
4 Lifeline service requirements and implement measures to address fraud, waste, and abuse within
5 the system. Below are the additional requirements and Virgin Mobile's response to each
6 requirement.

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

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

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

11 (ii) Submit a five-year plan that describes with specificity proposed improvements
12 or upgrades to the applicant's network throughout its proposed service area. Each
13 applicant shall estimate the area and population that will be served as a result of the
14 improvements. Except, a common carrier seeking designation as an eligible
15 telecommunications carrier in order to provide supported services only under
16 subpart E of this part does not need to submit such a five-year plan.²³

17 17. Virgin Mobile states²⁴ it will provide all of the services and functionalities
18 supported by the universal service program throughout its service territory in the State of Arizona.
19 Virgin Mobile states that it will make these Lifeline services and functionalities available in a
20 timely manner to any qualifying Arizona customer in the Company's service area. The
21 requirement directing submissions of a formal network improvement plan under 47 C.F.R. §
22 54.202(a)(1)(ii) does not apply to Virgin Mobile because it is seeking only to provide supported
23 services under subpart E of this part, i.e. Lifeline only.

24 18. Based on the above information, Staff believes that Virgin Mobile meets this ETC
25 designation criteria.

26 ...

27 _____
28 ²³ Lifeline Reform Order, ¶ 386.

²⁴ Application, Page 16, Lines 14-23.

C.2 Remain Functional in Emergency Situations

19. In 47 C.F.R. § 54.202(a)(2), the FCC outlines the requirement that an ETC applicant demonstrate its ability to remain functional in emergency situations. Specifically, “an applicant must demonstrate that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations.”²⁵

20. To demonstrate its ability to remain functional in emergency situations, Virgin Mobile states²⁶ that as a wholly owned subsidiary of Sprint Nextel, it is able to remain functional in emergency situations as required by 47 C.F.R. § 54.202(a)(2). Sprint Nextel has established a variety of internal programs, policies and teams dedicated to analyzing, assessing and responding to emergency situations and Sprint Nextel’s network is monitored 24 hours a day, 7 days a week, 365 days a year by its network monitoring centers. In addition, Sprint Nextel has reasonable amounts of back-up power to ensure functionality without an external power source, and has implemented reasonable practices to reroute traffic around damaged facilities and manage traffic spikes resulting from emergency situations. Each cell site in the Sprint network is equipped with two hours of battery back-up power. Sprint Nextel is also capable of rerouting traffic around damaged facilities. Many cell sites in the Sprint Nextel network provide overlapping coverage for neighboring areas, and such design redundancy ensures that coverage continues in the event of damage to a particular facility. In the event of a major failure of a cell site, neighboring sites could be adjusted to provide coverage to a wider service area. These practices significantly reduce the chance that emergencies, fiber cuts or equipment failure will result in a loss of service.

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

...

²⁵ *Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 05-46* (rel. March 17, 2005) (“*ETC Minimum Requirements Report and Order*”), ¶ 25.

²⁶ Application, Page 20, Lines 2-23.

1 C.3 Satisfy Consumer Protection and Service Quality Standards

2 22. In 47 C.F.R. § 54.202(a)(3), the FCC requires an ETC applicant to demonstrate its
3 commitment to meeting consumer protection and service quality standards in its application...²⁷

4 The sufficiency of other commitments will be considered on a case-by-case basis.

5 23. To demonstrate its ability to satisfy consumer protection and service quality
6 standards, Virgin Mobile states²⁸ it has provided high quality wireless service in Arizona for
7 several years, is committed to continuing to deliver quality wireless service to its customers and to
8 meeting its consumer protection obligations. To demonstrate its commitment to high service
9 quality, Virgin Mobile states²⁹ it has complied with the Cellular Telecommunications and Internet
10 Association's ("CTIA") Consumer Code for Wireless Service since its inception and will continue
11 to comply with the Consumer Code as an ETC.

12 24. Based on the above information, Staff believes that Virgin Mobile meets this ETC
13 designation criteria.

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

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

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

24 ...

25 ...

26 ²⁷ ETC Minimum Requirements Report and Order, ¶ 28.

27 ²⁸ Application, Page 21, Lines 16-19.

28 ²⁹ Application, Page 23, Lines 18-20.

³⁰ See *Lifeline Reform Order*, ¶388.

1 26. To demonstrate that Sprint, as the parent company for Virgin Mobile, is financially
2 and technically capable of providing Lifeline service, Virgin Mobile states³¹ that Sprint's wireless
3 segment generates revenues from the sale of wireless services, the sale of wireless devices and
4 accessories and the sale of wholesale and other services. Sprint's retail market comprises those
5 subscribers to whom Sprint directly provides wireless services, whether those services are provide
6 on a postpaid or prepaid basis. Sprint is also a provider of wholesale wireless services and
7 affiliates relationships and other arrangements through which wireless services are sold by Sprint
8 to other companies that resell those services to subscribers. Thus, Virgin Mobile states Sprint will
9 not need to rely exclusively on USF support to provide wireless Lifeline services. As noted on
10 page 2 above, Virgin Mobile currently has been granted ETC designation to provide wireless
11 Lifeline services in thirty-five (35) jurisdictions and currently has applications pending to provide
12 wireless Lifeline services in three (3) jurisdictions. Further, Virgin Mobile has not been subject to
13 any enforcement action at the FCC or in any state and that no ETC designations held by Virgin
14 Mobile have been rescinded, revoked or terminated by the FCC or by any state since Sprint's
15 acquisition of Virgin Mobile in November 2009.

16 27. Having reviewed Virgin Mobile's financial statements and based on the above
17 information, Staff believes that Virgin Mobile meets this ETC designation criteria.

18 28. Virgin Mobile is currently in litigation³² with the Arizona Department of Revenue
19 ("ADOR") regarding the applicability of Arizona Emergency Telecommunications Services
20 Revolving Fund ("AETSRF") as required in A.R.S. R42-5252(A) and 42-5253(A) (the E911
21 Assessment) to Virgin Mobile's prepaid wireless services. At this time, Virgin Mobile has filed a
22 Motion for Reconsideration of the Court of Appeals' August 2, 2012 decision that upheld a tax
23 court ruling and determined that Virgin Mobile USA L.P. is liable for E911 assessment on its
24 prepaid wireless phone services under state statute.³³

25 ...

26 _____
27 ³¹ Response to Staff Data Request STF 2.3(a).

28 ³² *Virgin Mobile USA, LP (fka Virgin Mobile USA, LLC) v. Arizona Department of Revenue*, CA TX 11-0005, Arizona
Tax Court Cause, No. TX2009-000238, Opinion (App. 2012).

³³ Response to Staff Data Request STF 2.4(a).

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

3 29. In 47 C.F.R. § 54.202(a)(5), the FCC requires an ETC applicant to submit
4 information describing the terms and conditions of any voice telephony service plans offered to
5 Lifeline subscribers, including details on the number of minutes provided as part of the plan,
6 additional charges, if any, for toll calls, and rates for each such plan. To the extent the ETC offers
7 plans to Lifeline subscribers that are generally available to the public, it may provide summary
8 information regarding such plans, such as a link to a public Web site outlining the terms and
9 conditions of such plans.

10 30. Virgin Mobile provided Staff with its informational tariff³⁴ in which it describes the
11 calling plans for Lifeline subscribers, including the number of free minutes in each calling plan,
12 along with the terms and conditions of Lifeline service as provided by Virgin Mobile. Based on
13 the information contained in Virgin Mobile's informational tariff, Staff believes that Virgin
14 Mobile meets this ETC designation criteria.

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

16 31. In the *Lifeline Reform Order* the FCC adopted various new measures and revised or
17 eliminated other existing measures in order to limit fraud, waste and abuse of the Federal
18 Universal Service Fund ("FUSF"). These measures include establishing uniform eligibility criteria
19 to qualify for Lifeline services, clarifying the restriction of one Lifeline telephone allowed per
20 household, initial certification and annual re-certification of consumer eligibility, establishing a
21 national lifeline accountability database to ensure and enforce the one-per-household requirement,
22 total elimination of toll limitation support for wireless carriers and a tapered elimination of toll
23 limitation support for landline ETCs, elimination of the Link Up subsidy except on federally-
24 recognized tribal lands and establishing additional provisions for Universal Service Administrative
25 Company ("USAC") audits.

26 . . .

27 _____
28 ³⁴ Response to Staff Data Request STF 1.54.

1 32. In response to the FCC's various new measures and revised or eliminated other
2 existing measures in order to limit fraud, waste and abuse FUSF, Virgin Mobile states³⁵ that a
3 number of practices adopted in FCC 12-11 have been practiced and in place for some time.
4 Examples are the 60-day non-usage policy, annual certification of the entire Lifeline customer
5 base, support based on actual customer counts, and robust marketing disclosure. Virgin Mobile
6 will revise its Lifeline application form to collect additional customer information and
7 certifications, implement uniform federal eligibility criteria, implement new customers eligibility
8 verification procedures, enroll Lifeline eligible customers residing at temporary addresses, and
9 enroll separate economic units at the same address where proper documentation is provided.
10 Virgin Mobile will verify the eligibility of its entire Lifeline customer base as of June 1, 2012, and
11 revise its annual verification form to reflect new information gathering and certification
12 requirements. Finally, Virgin Mobile will comply with reporting and audit requirements set forth
13 in the *Lifeline Reform Order*.

14 **E. PUBLIC INTEREST DETERMINATION**

15 33. Under Section 214 of the Act, the FCC and state commissions must determine that
16 an ETC designation is consistent with the public interest, convenience and necessity for rural
17 areas. They also must consider whether an ETC designation serves the public interest consistent
18 with Section 254 of the Act. Congress did not establish specific criteria to be applied under the
19 public interest tests in Sections 214 or 254. The public interest benefits of a particular ETC
20 designation must be analyzed in a manner that is consistent with the purposes of the Act itself,
21 including the fundamental goals of preserving and advancing universal service; ensuring the
22 availability of quality telecommunications services at just, reasonable, and affordable rates; and
23 promoting the deployment of advanced telecommunications and information services to all regions
24 of the nation, including rural and high-cost areas.³⁶ Accordingly, before designating a carrier as an
25 ETC, the Commission must make an affirmative determination that such designation is in the
26 . . .

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28 ³⁵ Response to Staff Data Request STF 1.58.

³⁶ *ETC Minimum Requirements Report and Order*, ¶ 40.

1 public interest, regardless of whether the applicant seeks designation in an area served by a rural or
2 non-rural carrier.

3 34. Virgin Mobile states that designating it as a wireless ETC would promote the public
4 interest because it would provide qualifying Arizona customers with lower prices and higher
5 quality wireless services, and serve the needs of low-income customers in Arizona by increasing
6 customer choice in the areas it serves. The public interest benefits associated with Virgin Mobile's
7 wireless service include larger local calling areas (as compared to traditional wireline carriers), the
8 convenience and personal security afforded by mobile telephone service, the opportunity for
9 customers to receive a high-value wireless plan and emergency services in accordance with FCC
10 Rules. Additionally, ETC status will promote universal service by allowing Virgin Mobile to offer
11 wireless service to many low-income customers who may not be able to otherwise have service.
12 Virgin Mobile's Lifeline calling plans are designed to provide service to Lifeline consumers who,
13 due to credit or deposit requirements, may not be able to obtain telephone service from more
14 traditional wireline and wireless service providers.

15 **F. DESIGNATED SERVICE AREA**

16 35. The Commission must establish a geographic area for the purpose of determining
17 universal service obligations and support mechanisms for each designated ETC. *See* 47 U.S.C. §
18 214(e)(2); 47 C.F.R. § 54.201(b). Virgin Mobile requests that the Commission designate it as an
19 ETC for the service area consisting of each of the wire centers listed in Exhibit 1 of the
20 Application, which includes area served by non-rural and rural ILEC, excluding tribal lands.
21 Virgin Mobile explains³⁷ that because wire centers are not intended to denote wireless coverage,
22 there are a number of wire centers that are not fully covered in Virgin Mobile's proposed
23 designated service area. On Exhibit 1 of Virgin Mobile's application, wire center coverage is
24 indicated as "partial" or "full". The wire center and the coverage area information is provided in
25 Attachment 1.

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28 ³⁷ Response to STF 1.12(a).

1 **G. REPORTING REQUIREMENT FOR PREPAID WIRELESS**
2 **DEACTIVATIONS**

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

16 **INTERVENOR**

17 **1. Arizona Local Exchange Carriers Association**

18 37. 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 Virgin Mobile's offering may unfairly duplicate the similar offerings of its member companies,
27 cause the FUSF requirements to grow to the point where its member companies' FUSF

28

1 compensation is endangered, and undermine public support for the FCC's universal service
2 programs.

3 **2. Joint Stipulation**

4 38. On November 1, 2012, ALECA and Virgin Mobile filed a Stipulation in the docket.
5 In the Stipulation, to address the potential concerns expressed by ALECA, Virgin Mobile agreed
6 not to provide Lifeline service to eligible residents residing on Federally-recognized Tribal Lands
7 in Arizona. In addition, Virgin Mobile agreed that its Lifeline enrollment application for Arizona
8 will require an applicant to provide a street address and include a provision that requires an
9 applicant to self-certify under penalty of perjury that they do not reside on Federally-recognized
10 Tribal Lands.

11 **STAFF RECOMMENDATIONS**

12 39. Staff recommends Virgin Mobile's Application for designation as an ETC be
13 granted subject to the following conditions:

- 14 a. Virgin Mobile shall file a tariff, in this docket, setting forth the rates, terms and
15 conditions for its Lifeline service within thirty (30) days of a Commission Order in
16 this matter;
- 17 b. Virgin Mobile shall notify the Commission of any future changes to its rates, terms
18 and/or conditions regarding its Lifeline offerings and file such changes in its tariff
19 and amend its tariff in compliance with A.R.S. § 40-367;
- 20 c. Virgin Mobile shall make available Lifeline services to qualifying low-income
21 applicants in its ETC service area no later than ninety (90) days after a Commission
22 decision in this matter and shall concurrently notify the Commission, by making a
23 filing in Docket Control, in this docket, of the commencement date for such
24 services;
- 25 d. Virgin Mobile shall apprise the Commission of any customer complaints that may
26 arise from its ETC service offerings by making a filing in Docket Control in this
27 docket;
- 28 e. Virgin Mobile shall provide a regulatory contact to the Commission by making a
filing in Docket Control in this docket;
- f. In the event that Virgin Mobile requests to relinquish its ETC status and no longer
provides Lifeline services, it must provide notice to both the Commission and its
customers. Such notice(s) shall be in accordance with A.A.C. R14-2-1107;

- 1 g. Virgin Mobile shall submit in Docket Control an annual report by April 15th of each
2 year, beginning April 15, 2014, that contains its total number of Lifeline
3 subscribers, total amount of Federal USF support received and an affidavit stating
4 that the Lifeline discounts or the equivalent are equal to the amount of total Federal
5 USF support per line. The annual filing shall be submitted as a compliance item in
6 this docket;
- 7 h. Virgin Mobile shall submit in Docket Control, as a compliance item in this docket, a
8 quarterly report detailing the total number of Lifeline customers, the total number of
9 customers removed from the customer base due to 60-day inactivity, the number of
10 customers removed from the customer base due to annual verification and the total
11 number of customers who voluntarily relinquished Lifeline service. In compiling
12 the data for these reports, Virgin Mobile must comply with 47 C.F.R. §54.405(e)(3),
13 in which the FCC outlines the deenrollment policy for non-usage and 47 C.F.R.
14 §54.407(c), in which the FCC defines activities that constitute usage. The quarterly
15 report should be submitted as a compliance item in this docket on the 15th of the
16 month following the end of each calendar quarter, beginning July 15, 2013, or with
17 the first complete quarter following the offering of prepaid Lifeline calling plans,
18 whichever is earlier;
- 19 i. In the event of a transfer of control³⁸ that involves Virgin Mobile, a new ETC
20 petition shall be filed with the Commission. This will ensure ETCs undergoing
21 reorganization remain financially viable and able to provide the supported services
22 throughout the designated service areas as originally approved by the Commission;
23 and
- 24 j. Virgin Mobile shall not expand its Lifeline service beyond the designated service
25 area specified in this application without acquiring ETC designation from the
26 Commission to serve the additional area.

18 CONCLUSIONS OF LAW

- 19 1. Virgin Mobile USA, LP is a telecommunications company as defined in A.R.S. §
20 40-201(46) and is a “telecommunications carrier” as defined in 47 U.S.C. § 153(51).
- 21 2. The Commission has jurisdiction over the subject matter of the application.
- 22 3. Under 47 U.S.C. § 214(e)(1), a common carrier that is designated as an Eligible
23 Telecommunications Carrier must, throughout its designated service area, offer the services that
24

25 ³⁸ On November 27, 2012, Sprint filed an application/notice of intent with the Commission on behalf of itself and its
26 Arizona affiliates, including Virgin Mobile, SOFTBANK CORP. (“Softbank”) and Starburst II, Inc. (“Starburst II”), in
27 Docket Nos. T-02432B-12-0474 and T-20827A-12-0474. In this filing, Sprint seeks a Limited Waiver of the
28 Commission’s Affiliated Interest rule or submits a Notice of Intent in relation to a transaction in which Softbank,
through its newly formed affiliate Starburst II, will invest \$20.1 billion in Sprint and indirectly acquire approximately
70 percent of the shares of Sprint. This transaction is at the parent holding company level only. Staff does not
recommend that Virgin Mobile be required to file a new ETC petition, contingent upon the disposition of the dockets
listed in this footnote.

1 are supported by the Federal Universal Service Support mechanisms either by using its own
2 facilities or a combination of its own facilities and resale of another carrier's services. The carrier
3 must also advertise the availability of such services and the rates for the services using media of
4 general distribution.

5 4. Under 47 U.S.C. § 214(e)(2), the Commission must establish the geographic area
6 for the purposes of determining universal service obligations and support mechanisms. Virgin
7 Mobile's application applies to the designated service area consisting of the wire centers listed in
8 Attachment 1, excluding Federally-Recognized Tribal Lands located within the state of Arizona.

9 5. Virgin Mobile meets the requirements for ETC designation under 47 U.S.C. § 214
10 and C.F.R. § 54.201 *et seq.*, subject to Virgin Mobile's compliance with the conditions set forth in
11 Finding of Fact No. 39 herein.

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ORDER

IT IS THEREFORE ORDERED that the application of Virgin Mobile USA, LP 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 Virgin Mobile USA, LP's compliance with the conditions set forth in Finding of Fact No. 39 above.

IT IS FURTHER ORDERED that if Virgin Mobile USA, LP does not comply with the requirements of Finding of Fact No. 39, 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, JODI JERICH, 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 _____ day of _____, 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:LLM:sms\MAS

1 SERVICE LIST FOR: VIRGIN MOBILE USA, LP
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ATTACHMENT 1

Entire wire center coverage

<u>Company Name</u>	<u>CLLI</u>
QWEST CORPORATION	CHNDAZMA
QWEST CORPORATION	CHNDAZSO
QWEST CORPORATION	CHNDAZWE
QWEST CORPORATION	CLDGAZMA
QWEST CORPORATION	CTWDAZSO
QWEST CORPORATION	DRVYAZNO
QWEST CORPORATION	GDYRAZCW
QWEST CORPORATION	GLDLAZMA
QWEST CORPORATION	HGLYAZMA
QWEST CORPORATION	LTPKAZMA
QWEST CORPORATION	MESAAZGI
QWEST CORPORATION	MESAAZMA
QWEST CORPORATION	PHNXAZBW
QWEST CORPORATION	PHNXAZCA
QWEST CORPORATION	PHNXAZEA
QWEST CORPORATION	PHNXAZGR
QWEST CORPORATION	PHNXAZLV
QWEST CORPORATION	PHNXAZMA
QWEST CORPORATION	PHNXAZMR
QWEST CORPORATION	PHNXAZMY
QWEST CORPORATION	PHNXAZNE
QWEST CORPORATION	PHNXAZNO
QWEST CORPORATION	PHNXAZNW
QWEST CORPORATION	PHNXAZPP
QWEST CORPORATION	PHNXAZPR
QWEST CORPORATION	PHNXAZSE
QWEST CORPORATION	PHNXAZSY
QWEST CORPORATION	PHNXAZWE
QWEST CORPORATION	SCDLAZSH
QWEST CORPORATION	SCDLAZTH
QWEST CORPORATION	TCSNAZCA
QWEST CORPORATION	TCSNAZCO
QWEST CORPORATION	TCSNAZCR
QWEST CORPORATION	TCSNAZEA
QWEST CORPORATION	TCSNAZFW
QWEST CORPORATION	TCSNAZMA
QWEST CORPORATION	TCSNAZRN
QWEST CORPORATION	TCSNAZSE
QWEST CORPORATION	TCSNAZSO
QWEST CORPORATION	TCSNAZTV
QWEST CORPORATION	TCSNAZWE
QWEST CORPORATION	TEMPAZMA

VIRGIN MOBILE USA, LP - COVERED WIRE CENTERS

QWEST CORPORATION
QWEST CORPORATION

TEMPAZMC
TLSNAZMA

Partial wire center coverageCompany Name

ACCIPITER COMMUNICATIONS INC
ARIZONA TELEPHONE CO.
CITIZENS TELECOM CO OF WHT MTNS INC.
CITIZENS UTILITIES RURAL DBA FRONTIER UT RURAL
COPPER VALLEY TELEPHONE, INC.
COPPER VALLEY TELEPHONE, INC.
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC - AZ
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC - AZ
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC - AZ
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC - CA
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC - CA
MIDVALE TELEPHONE EXCHANGE, INC.
QWEST CORPORATION
QWEST CORPORATION
QWEST CORPORATION
QWEST CORPORATION
QWEST CORPORATION

CLLI

PEORAZFS
BLRGAZXC
DTLDAZ01
HRVYAZXC
MMLKAZXC
RSVTAZXC
SASBAZXC
TNBSAZXC
CIBCAZXC
HLBKAZXC
SNWFAZXC
STJHAZXB
BLCYAZXC
BLCYAZXE
CSRKAZXC
DLSPA ZXC
GLVYAZXC
KGMNAZXC
KGMNAZXE
LHCYAZXC
MHVYAZXC
TXTNAZAB
YUCCA ZXC
DNCNAZXC
ELFRAZXC
BOUSAZXC
CIBLAZXC
EHRNAZXF
PRDMAZXC
PSTNAZXC
CSELAZXC
DEWYAZ01
ELOYAZ05
SCDMAZ89
YONGAZXC
AGFIAZSR
ASFKAZMA
AZCYAZ03
BCKYAZMA
BISBAZMA

VIRGIN MOBILE USA, LP - COVERED WIRE CENTERS

TABLE TOP TELEPHONE CO., INC.
VALLEY TELEPHONE COOPERATIVE, INC.

SNDRAZXC
BONTAZXC
BOWIAZXC
PERCAZXC
PRTLAZXC
SNSMAZXC