



wireless, inc. 9700 NW 112th Avenue | Miami, FL 33178

June 12, 2009

VIA E-MAIL AND OVERNIGHT MAIL

Hon. Anne C. Boyle
Commissioner
Nebraska Public Service Commission
300 The Atrium
1200 N Street, Suite 300
Lincoln, NE 68508-4927

Re: Federal Universal Service Fund

Dear Commissioner Boyle:

We understand that you recently sent correspondence to various people in which you raised concerns about the growth in the size of the federal Universal Service Fund (USF) and the possibility that the USF contribution factor -- now at 11.3 percent -- may require significant increases. As President and Chief Executive Officer of TracFone Wireless, Inc., I share your concern about USF growth and potential need for higher contribution factors. In fact, TracFone has consistently advocated reforms which would reduce the size of the USF, or least its rate of growth. However, I take exception to some of the alleged reasons for that growth which were set forth in your communications.

You have cited as a reason for such USF growth that there are "no cost models used to determine cost of service for wireless phones. Therefore, wireless carriers continue to be reimbursed at landline costs." It is correct that under the Identical Support Rule, competitive Eligible Telecommunications Carriers (ETCs), including wireline ETCs, receive high cost support based on incumbent local exchange carrier (ILEC) costs, even where their own costs are below those of the ILEC. TracFone has long advocated elimination of the Identical Support Rule. However, the Identical Support Rule is applicable to high cost support and has no impact on funding levels received by ETCs pursuant to the low income program, particularly the Lifeline program.

Your references to TracFone's participation as an ETC offering Lifeline service to low income consumers are inaccurate. Your letter states incorrectly that at the end of March, TracFone was designated as an ETC in only six states. In April 2008, TracFone was designated an ETC by the FCC for ten states and the District of Columbia (those states include New York, Virginia, Massachusetts, Connecticut, New Hampshire, Alabama, Tennessee, North Carolina, Delaware, and Pennsylvania). Because of delays in the implementation of its SafeLink Wireless service, including the FCC condition which requires TracFone to obtain certifications that its customers have access to 911 and E911, TracFone did not commence offering Lifeline service until fall 2008. Since that time, it

has been designated as an ETC in eight other states (Florida, Georgia, Michigan, West Virginia, Wisconsin, New Jersey, Ohio, and Texas) with pending ETC petitions in additional states (including Nebraska).

The amounts of reimbursement which TracFone receives from the federal USF have nothing to do with cost models. TracFone provides its SafeLink Wireless Lifeline customers with a monthly Lifeline benefit in the form of free wireless service. In order to receive \$10.00 from the USF (the maximum allowable reimbursement -- see 47 C.F.R. § 54.403), TracFone must provide each customer with a monthly benefit of \$13.50. In addition, TracFone provides every Lifeline customer with a free E911-compliant wireless handset at its own expense with no reimbursement from the USF. As for your stated concern about wireless carriers receiving ongoing USF support, please be aware that TracFone has established procedures which detect prolonged periods of non-usage of SafeLink Wireless service. In such circumstances, TracFone makes repeated attempts using multiple media sources to contact non-usage customers. Non-responding customers and customers who do not express an intent to remain in the program are terminated and TracFone no longer seeks USF reimbursement for service to such customers.

Your correspondence also raises issues regarding the Lifeline customer eligibility certification and verification processes. Ironically, on June 10, several representatives of TracFone met with members of the Nebraska PSC staff to discuss how TracFone would certify Lifeline eligibility and verify continuing eligibility in a manner which conforms with PSC requirements and which alleviates PSC concerns.

Finally, I acknowledge and appreciate your stated support for the Lifeline program. As you are aware, since its inception, Lifeline has been significantly underutilized. According to FCC-published data, less than thirty-four percent of Lifeline-eligible households nationwide are enrolled in Lifeline. In Nebraska, the utilization rate is far worse -- only seventeen percent of Lifeline-eligible low income Nebraska households are enrolled. In the months since TracFone commenced offering SafeLink Wireless, the Lifeline participation rate has increased substantially in those states where it is available. This is because we aggressively advertise our Lifeline program and we are very happy serving low-income households, something that most phone companies have not historically embraced. I have every confidence that that Nebraska will experience a similar increase on Lifeline enrollment once SafeLink Wireless becomes available there.

If you have questions about TracFone or about SafeLink Wireless, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'F.J. Pollak', with a long horizontal flourish extending to the left.

F.J. Pollak
President and
Chief Executive Officer