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July 2, 2012

IDAHO PUBLIC
UTILITIES COMMISSION**VIA HAND DELIVERY**

Ms. Jean Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83720

**Re: Case No. TFW-09-01 - In the Matter of the Application of
TracFone Wireless, Inc. for Designation as an Eligible
Telecommunications Carrier**

Dear Ms. Jewell:

In accordance with the terms of the Stipulation in this proceeding which was approved by the Commission by order issued May 18, 2012, TracFone Wireless, Inc. ("TracFone") shall remit to the Idaho Telecommunications Assistance Program ("ITSAP") Administrator within fourteen days of issuance of a final order in this proceeding monthly ITSAP fees retroactive to January 1, 2011, due and owing pursuant to Idaho Code § 56-904. That final order was issued on June 29, 2012. In anticipation of that requirement, Staff has requested and TracFone has provided customer counts for the applicable months. The customer counts provided by TracFone to staff for the months of January 2011 through December 2011 are somewhat lower than the customer counts for those months which were provided to staff in December 2011. Staff has asked TracFone for an explanation of the differences. By this letter, TracFone, through undersigned counsel, respectfully provides that explanation.

The customer counts for 2011 provided to Staff last December included all telephone numbers assigned by TracFone with Idaho area codes. Numbers were provided for each of TracFone's brands -- TracFone®, NET10® and Straight Talk®. The customer counts provided to Staff in June 2012 only included active accounts, that is, telephone numbers with Idaho area codes for which there was customer usage during the month.

As a prepaid, pay-as-you-go service, TracFone service is not provided on a monthly basis. Customers purchase minutes of airtime when they need them. When the purchased airtime has been depleted, customers have no service. They cannot initiate calls; they cannot receive calls. (All TracFone handsets are capable of accessing 911 emergency services whether or not they have remaining airtime balances. Such access to 911 is required by federal law). This situation contrasts sharply with post-paid, billed services (wireline and wireless) with which the Commission and Staff are familiar. With a post-paid or billed service, the carrier renders a bill to the customer. The customer is responsible for payment whether or not the customer actually uses the service during the month covered by the bill. In such situations, the service is available to the customer whether or not the customer uses the service. For example, if a postpaid customer of one of Idaho's telephone companies is traveling -- even outside the country during the entire month, the customer is required to pay his/her monthly telephone bill -- even if

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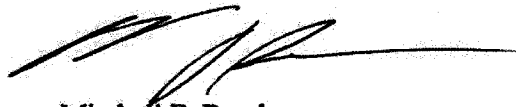
the customer did not make or receive a single call during the month. In short, the provider derives revenue from the customer without regard to actual usage of the service by the customer. The provider is required to remit a portion of that derived revenue to the ITSAP Administrator.

With prepaid service like TracFone's, the provider only receives revenue during periods when the consumer purchases airtime and uses the service. Therefore, a portion of the Idaho telephone numbers assigned by TracFone are assigned to persons who have no remaining unused balances of prepaid airtime on their handsets and do not use the service during specific periods. If such a customer fails to use the service or purchase additional airtime for a prolonged period (e.g., several months), then TracFone will deactivate the service and will re-assign the telephone number to another customer. However, TracFone waits until several months of non-usage before reclaiming the telephone number. This is done to avoid the consumer inconvenience which would result if consumers lost their current telephone numbers each time they failed to use the service or purchase additional airtime during a month.

In any month, a portion of TracFone's assigned telephone numbers will be assigned to consumers with no usage and no airtime purchases. Since TracFone derives no revenue from those consumers, there are no revenues from which to remit ITSAP fees. We believe that this explanation is consistent with the letter and spirit of Idaho Code § 56-904. In this regard, we direct your attention to § 56-904(4). That subsection states, in relevant part, as follows: "The surcharge imposed in subsection (1) of this section, when **collected from customers** of mobile wireless carriers, shall be imposed only on customers with a place of primary use in Idaho." (emphasis added). The highlighted words "when collected from customers" reflect the Legislature's clear intent that ITSAP fees are to be remitted when they are collected from customers. As noted above, TracFone collects nothing from those customers with assigned telephone numbers who have no usage or airtime purchases during a month. Accordingly, such customers are not deemed to be active customers subject to ITSAP surcharges, and were excluded from the customer counts recently provided to Staff.

As mentioned to Staff during a telephonic discussion of this issue, we apologized for any confusion which may have been caused by the differences between the customer data provided in December 2011 and that provided in June 2012. If anyone has questions regarding this explanation, please contact undersigned counsel for TracFone.

Sincerely,



Mitchell F. Brecher

Cc: Ms. Alyson Anderson
Mr. Neil Price
Ms. Grace Seaman