

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

**RESOLUTION T- 17596
May 31, 2018**

RESOLUTION

RESOLUTION T-17596. This Resolution Approves Budget PrePay Inc.'s Advice Letter 20 Subject to Budget's Payment of \$817,730 to the California LifeLine Fund.

SUMMARY

In this Resolution, the California Public Utilities Commission (Commission or CPUC) approves Budget PrePay, Inc.'s (Budget) Advice Letter (AL) 20 which requests approval: 1) to discontinue its offering of California LifeLine and federal Lifeline wireless services; and 2) to relinquish its designation as an Eligible Telecommunications Carrier (ETC) in California. We approve AL 20 subject to Budget's payment of \$817,730.00¹ to the California LifeLine Fund within 30 days from the effective date of this Resolution. We also direct Budget to comply and cooperate with the State Controller's audit.

BACKGROUND

On September 1, 2011, the Commission issued Budget PrePay, Inc. (Budget), its Wireless Identification Registration number U-4412-C, allowing it to operate as a reseller of Commercial Mobile Radiotelephone Service (CMRS). On January 16, 2014, the Commission issued Resolution T-17432 designating Budget as an ETC within the service areas of the Uniform Regulatory Framework Carriers in California excluding the Small Local Exchange Carriers service areas.

¹ Under Budget and CPED's Settlement Agreement, Budget proposes to refund \$1,117,730 to the California LifeLine Fund. The California LifeLine Fund owes Budget \$303,283.10 in LifeLine reimbursements for Budget's claims from February through July 2017. Under Section 4 of the Settlement Agreement, "In the event that CD determines that Remaining Support payable to Budget is more than \$300,000, the Settlement Amount will be increased by the difference of \$300,000 and the higher amount." Therefore, the total refund amount that Budget owes has been increased from \$1,117,730 to \$1,121,013.10.

On May 7, 2014, the CPUC approved Budget's California LifeLine service offerings. Budget subsequently modified its California LifeLine service offerings in various advice letters.

On April 24, 2017, Budget submitted Tier 2 AL 20 to the CPUC requesting approval to discontinue its wireless telephone service plans offered under the California LifeLine Program and federal Lifeline program and to relinquish its designation as an eligible telecommunications carrier (ETC) in California. Budget no longer intends to offer wireless telephone services in California, and has stopped marketing its services.

On May 15, 2017, the CPUC's Consumer Protection and Enforcement Division (CPED) submitted a protest (Protest) to Budget's AL 20, and requested "appropriate penalties or restitution, and further evaluation by the Commission in a formal proceeding."² CPED asserted that Budget's requested relief in AL 20 was unjust and unreasonable for the following reasons:

- 1) Budget abused the California LifeLine enrollment process by improperly enrolling and collecting California LifeLine funds for 9,824 California LifeLine participants;
- 2) Budget failed to verify the residential addresses and other basic information of California LifeLine applicants in violation of the Public Utilities (PU) Code § 878³ and California LifeLine rules; and
- 3) Budget improperly collected almost one million dollars (\$1,000,000) from the California LifeLine Program.

CPED asserted that Budget should no longer offer California LifeLine services and should have its ETC designation rescinded, but "only after the Commission is able to fully consider the issues set forth in" its Protest and "decide on the appropriate restitution/penalties that Budget should be required to pay."⁴ Over the course of next several months, CPED and Budget engaged in settlement negotiations regarding the protested issues.

On August 25, 2017, Budget submitted a letter and a settlement agreement (Settlement) to CD indicating that the company and CPED reached a settlement on all protested issues, which is attached to this Resolution. Budget and CPED state that they have resolved all issues in the Protest, and request that the Commission approve Budget's AL 20.

DISCUSSION

² Protest, pp. 1 and 17-18.

³ Pub. Util. Code § 878 "A lifeline telephone service subscriber shall be provided with one lifeline subscription, as defined by the commission, at his or her principal place of residence, and no other member of that subscriber's family or household who maintains residence at that place is eligible for lifeline telephone service. An applicant for lifeline telephone service may report only one address in this state as the principal place of residence."

⁴ Protest, p. 16.

A. Compliance with Federal Rules to Relinquish an ETC Designation

Pursuant to 47 U.S.C. § 214(e)(4)⁵ and 47 C.F.R. § 54.205(a) and (b), an ETC is permitted to relinquish its ETC designation if the following requirements are satisfied:

- 1) The service area must be served by another ETC;
- 2) The ETC must provide advance notice to the State commission of its request;
- 3) The ETC must ensure that all the customers it serves in the relevant service area will continue to be served by another ETC; and,
- 4) If applicable, the ETC must provide sufficient notice to permit the purchase or construction of adequate facilities by any remaining ETCs.

Consistent with these statutory requirements, once the requesting ETC makes the requisite showing under 47 U.S.C. § 214(e)(4) and 47 C.F.R. § 54.205(a) and (b), a state commission or the FCC must grant the request to relinquish the ETC designation.

1. Service Area Served by Another ETC

Budget, as a wireless reseller, used the underlying networks of Sprint, T-Mobile, and Verizon Wireless. There are 11 California LifeLine wireless telephone service providers offering California LifeLine services utilizing one or more of these three underlying networks. Additionally, there are also two Carriers of Last Resort (COLRs), Pacific Bell Telephone Company (AT&T) and Frontier California, Inc. operating in the same or overlapping designated areas as Budget.

2. Advance Notice to the State Commission of Request to Relinquish ETC Designation

⁵ 47 U.S.C. § 214(e)(4) states as follows:

A State commission (or the Commission in the case of a common carrier designated under paragraph (6)) shall permit an eligible telecommunications carrier to relinquish its designation as such a carrier in any area served by more than one eligible telecommunications carrier. An eligible telecommunications carrier that seeks to relinquish its eligible telecommunications carrier designation for an area served by more than one eligible telecommunications carrier shall give advance notice to the State commission (or the Commission in the case of a common carrier designated under paragraph (6)) of such relinquishment. Prior to permitting a telecommunications carrier designated as an eligible telecommunications carrier to cease providing universal service in an area served by more than one eligible telecommunications carrier, the State commission (or the Commission in the case of a common carrier designated under paragraph (6)) shall require the remaining eligible telecommunications carrier or carriers to ensure that all customers served by the relinquishing carrier will continue to be served, and shall require sufficient notice to permit the purchase or construction of adequate facilities by any remaining eligible telecommunications carrier. The State commission (or the Commission in the case of a common carrier designated under paragraph (6)) shall establish a time, not to exceed one year after the State commission (or the Commission in the case of a common carrier designated under paragraph (6)) approves such relinquishment under this paragraph, within which such purchase or construction shall be completed.

Budget filed AL 20 with the CPUC at least four months before it ceased California LifeLine operations. Budget no longer offers California LifeLine and federal Lifeline services.

3. Low-Income Households Will Continue to be Served by Other ETCs

The California LifeLine participants that Budget previously served can continue to receive federal and state-supported services through one or more other ETCs and California LifeLine providers of their choice.

4. Provision of Sufficient Notice to Permit the Purchase or Construction of Adequate Facilities by any Remaining ETCs

Budget is a reseller of wireless telephone services and has no facilities in California. Thus no purchase or construction of facilities by other ETCs will be necessary to serve affected California LifeLine participants. Therefore, a notice to enable such construction or procurement is not necessary.

CD staff finds that Budget has met the four requirements to relinquish its ETC designation pursuant to 47 U.S.C. § 214(e)(4) and 47 C.F.R. § 54.205(a) and (b).

B. Compliance with California LifeLine Program Rules to Withdraw California LifeLine Services

GO 153 § 4.7.3 requires California LifeLine service providers to provide a 30-day notice to their California LifeLine participants for withdrawal of California LifeLine services. Budget complied with this notice requirement. Budget no longer has any California LifeLine participants. Therefore, CD staff finds that Budget has met the requirements to withdraw its California LifeLine services.

C. Budget and CPED's Settlement:

Budget and CPED engaged in settlement negotiations to resolve the issues set forth CPED's protest. Pursuant to these negotiations, Budget and CPED have agreed that Budget will refund \$1,121,013.10⁶ to the California LifeLine Fund. The parties state that this amount reflects the overpayment of LifeLine funds set forth in CPED's Protest and other adjustments. With this repayment, CPED states that all of its protested issues are resolved. CD staff concurs with

⁶ Under Budget and CPED's Settlement Agreement, Budget proposes to refund \$1,117,730 to the California LifeLine Fund. The California LifeLine Fund owes Budget \$303,283.10 in LifeLine reimbursements for Budget's claims from February through July 2017. Budget did not submit a claim for August 2017. Under Section 4 of the Settlement Agreement, "In the event that CD determines that Remaining Support payable to Budget is more than \$300,000, the Settlement Amount will be increased by the difference of \$300,000 and the higher amount." Therefore, the total refund amount that Budget owes has been increased from \$1,117,730 to \$1,121,013.10.

Budget and CPED that if Budget returns the overpaid LifeLine funds, the outstanding issues herein would be appropriately resolved.

D. Ongoing SCO Audit

PU Code § 274 requires the Commission to conduct a financial and compliance audit of the California LifeLine program-related costs and activities at least once every three years. Currently, the Commission's designee, the State Controller's Office (SCO) is performing a compliance audit of Budget for July 1, 2015 through June 30, 2016 claims period to determine whether the company's California LifeLine transactions were in compliance with all applicable CPUC laws and regulations associated with the program, including General Order (GO) 153. The SCO commenced its audit examination/engagement in October 2017 and the audit review is still ongoing. After completion of the audit, the SCO will submit to the CPUC an audit report detailing the audit findings. We direct Budget to comply and cooperate with the SCO audit.

E. Reimbursement of Budget's California LifeLine Claims

CD staff suspended reimbursement of Budget's California LifeLine claims for February 2017 through September 2017 until AL 20 issues were resolved. If the Commission approves this Resolution, CD staff will lift the suspension and process these outstanding claims. These claims total \$303,283.10.

F. Conclusions and Recommendations

In light of the above discussions, CD staff concludes that Budget's request in AL 20 (1) to relinquish its ETC designation in California complies with 47 U.S.C. § 214(e)(4), and (2) to withdraw its California LifeLine services complies with GO 153 § 4.7.3. CD recommends that the Commission approve AL 20, subject to Budget's payment of \$817,730.00 ⁷ (\$1,121,013.10 total payment amount - \$303,283.10 LifeLine reimbursement amount = \$817,730.00) to the California LifeLine Fund within 30 days from the effective date of this Resolution.

SAFETY CONSIDERATIONS

CD staff has identified no safety concerns with Budget's request because low-income households in Budget's designated service areas can continue to receive wireline and wireless

⁷ The remainder of the Settlement Amount will be deducted from Budget's filed claims. Actual claims submitted for February through July 2017 total \$303,283.10. Budget did not submit a claim for August 2017. According to Section 4 of the Settlement Agreement, "In the event that CD determines that Remaining Support payable to Budget is more than \$300,000, the Settlement Amount will be increased by the difference of \$300,000 and the higher amount". Therefore the total settlement amount has been increased from \$1,117,730 to \$1,121,013.10.

telephone services from alternate service providers including ETCs and California LifeLine providers.

COMMENTS

In compliance with PU Code § 311(g), a Notice of Availability of this draft resolution was served on March 27, 2018 to the list of eligible telecommunication carriers, parties of record in Rulemaking 11-03-013, the California LifeLine Administrative Committee, and the California LifeLine Working Group list of the availability of this resolution for public comments at the Commission's website www.cpuc.ca.gov. The Notice of Availability also informed the parties that the final confirmed resolution adopted by the Commission will be posted and available at the same website.

Opening Comments

Budget PrePay, Inc., (U-4412-C)

On April 16, 2018, CD staff received opening comments from Budget. The company requests that the proposed Resolution T-17596 be revised to present a more balanced presentation or neutral characterization of execution of the Settlement Agreement. Budget also requested that adoption of Resolution T-17596 be deferred until the conclusion of the SCO audit.

Reply Comments

Consumer Protection and Enforcement Division (CPED)

On April 24, 2018, CD staff received reply comments from CPED. CPED received authorization, on April 18, 2018 from CD's Director, Cynthia Walker, to file late reply comments. CPED stands by the reasonableness of the Settlement Agreement and states that the SCO audit exists independently from the Settlement Agreement. CPED states that the Commission should not delay the adoption of the proposed Resolution.

Discussion of Comments

CD staff concurs with CPED. It is not necessary to wait for the completion of the SCO audit to issue this Resolution. There is no overlap of the SCO audit and CPED's investigation. Therefore, CD staff recommends adoption of the proposed Resolution without further modifications or delay.

FINDINGS AND CONCLUSIONS

1. On September 1, 2011, the CPUC issued a WIR Number to Budget authorizing the company to provide resale Commercial Mobile Radio telephone Service to the public in California.
2. The CPUC designated Budget as an ETC in Resolution T-17432, issued on January 16, 2014.
3. Budget received authority to be a California LifeLine service provider to offer California LifeLine services in AL 4 on May 7, 2014.
4. Budget subsequently modified its California LifeLine service offerings in various advice letters.
5. On April 24, 2017, Budget submitted AL 20 to the CPUC requesting approval to discontinue its wireless telephone service plans offered under the California LifeLine Program and federal Lifeline program and to relinquish its designation as an ETC in California.
6. On May 15, 2017, CPED submitted a protest to Budget's AL 20.
7. On August 25, 2017, Budget submitted a letter and a settlement agreement to CD that
8. Budget and CPED reached a settlement on all protested issues.
9. Budget's payment of 1,121,013.10 to the California LifeLine Fund appropriately resolves all issues set forth in CPED's Protest.
10. PU Code § 274 requires the Commission to conduct a financial and compliance audit of the California LifeLine program-related costs and activities at least once every three years.
11. In October 2017, the SCO commenced an audit examination of Budget regarding the company's California LifeLine transactions for July 1, 2015 through June 30, 2016 claims period and the audit is still ongoing.
12. Pursuant to 47 U.S.C. § 214(e)(4) and 47 C.F.R. § 54.205(a) and (b), an ETC is permitted to relinquish its ETC designation if it meets the following requirements: 1) the service area is served by another ETC; 2) the ETC provides advance notice to the State commission of its request; 3) the ETC ensures that all the customers it serves in the relevant service area will continue to be served by another ETC; and 4) if applicable, the ETC provides sufficient notice to permit the purchase or construction of adequate facilities by any remaining ETCs.
13. Communications Division identified no safety concerns regarding Budget's request because other ETCs and California LifeLine providers offer discounted telephone services in the affected service areas.
14. Budget has satisfied ETC relinquishment requirements of 47 U.S.C. § 214(e)(4) and 47 C.F.R § 54.205(a) and (b).
15. Budget has satisfied the 30 day notice requirement in GO 153 § 4.7.3.

16. Budget's two requests in AL 20 should be conditionally approved upon Budget refunding the California LifeLine Program the overpayment amount of \$1,121,013.10 and complying with the ongoing audit being conducted by the SCO. Of \$1,121,013.10, Budget will make a payment of \$817,730.00 to the California LifeLine fund. The remainder amount of \$303,283.10 will be deducted from Budget's filed claims from February through July 2017.
17. Budget is directed to comply and cooperate with SCO's audit of its California LifeLine transactions.
18. On April 16, 2018, Budget submitted comments on the proposed Resolution.
19. On April 18, 2018, CPED received authorization from CD's Director to submit late reply comments.
20. On April 24, 2018, CPED submitted reply comments to Budget's comments.

THEREFORE, IT IS ORDERED that:

1. The Commission approves Budget PrePay Inc.'s Advice Letter 20 which requests: 1) to discontinue its wireless telephone service plans offered under the California LifeLine Program and federal Lifeline program; and 2) to relinquish its designation as an eligible telecommunications carrier in California.
2. Budget PrePay Inc. shall make a one-time lump sum payment to the California LifeLine Fund of \$817,730.00 within 30 days from the effective date of this Resolution.

This Resolution is effective today.

I hereby certify that the California Public Utilities Commission adopted this Resolution at its regular meeting on May 31, 2018. The following Commissioners:

/s/ Alice Stebbins

ALICE STEBBINS
Executive Director

MICHAEL PICKER
President

CARLA J. PETERMAN
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners

ATTACHMENT

STATE OF CALIFORNIA
EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 25, 2017

Telecommunications Advice Letter Coordinator
Communications Division
California Public Utilities Commission

SUBJECT: Settlement Agreement Between the Commission's Consumer Protection and Enforcement Division and Budget PrePay, Inc (U4412C), Regarding Advice Letter No 20.

To Whom It May Concern:

On April 24, 2017, Budget PrePay, Inc. ("Budget") submitted Advice Letter No. 20, which requested that Budget be permitted to cease providing Lifeline service in California. The Commission's Consumer Protection and Enforcement Division ("CPED") protested Advice Letter No. 20 on May 15, 2017.

CPED's protest alleged that Budget received at least \$993,460 in Lifeline funds from the Commission for the enrollment of ineligible subscribers in the Lifeline program. Budget and CPED (collectively, "the Parties") engaged in settlement negotiations to resolve the issues set forth in CPED's protest and present the Settlement Agreement included herein.

The Settlement Agreement resolves all issues set forth in CPED's protest, and also recommends that the requests made in Budget's Advice Letter No. 20 be granted. Specifically, the terms of the Settlement Agreement provide that Budget will refund the overpayment of \$925,960.13, which reflects the amount of over-payment set forth in CPED's protest, with several adjustments made to take into account additional information presented during negotiations, as explained in the Settlement.

Additionally, the settlement provides for the payment of 10% interest (\$191,770), equating to a total settlement payment of \$1,117,730.

Further, the parties acknowledge that the Commission's Communication Division ("CD") ceased to provide Budget with repayment of its Lifeline funds beginning in May of 2017. As such, Budget estimates that it will be owed \$322,000 in Lifeline funds, which reflects its provision of Lifeline service to its remaining customers from February 2017 through August 2017. The parties agree that the funds owed to Budget should function as an offset to the agreed-upon settlement amount.

However, the parties also acknowledge that it is CD's prerogative to review claims made to the Lifeline fund and determine the appropriate payment. Thus, the parties have designed a

PAL Coordinator
August 25, 2017
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settlement whereby the exact amount actually paid to the Commission from Budget may change depending on the amount of Lifeline funds CD finds that Budget is owed for the period of February through August, 2017.

Additionally, the parties acknowledge that Budget has been in the process of winding down its California Lifeline operations. Budget asserts that it has continually given its remaining Lifeline customers notice that it is ceasing its Lifeline operations and that it plans to no longer offer customer support for its California Lifeline services beginning at the end of August. As such, the parties acknowledge that Budget may cease its Lifeline operations entirely beginning at the end of August and the parties agree that CPED will not pursue legal action against Budget for this cessation of service.

Finally, as the settlement agreement resolves the issues raised in CPED's Protest, the parties agree that Budget should be granted the relief requested in Advice Letter No. 20.

This Settlement Agreement discussed herein is reasonable, consistent with the law, and in the public interest per Rule 12.1(d). In evaluating settlements, the Commission has consistently recognized a strong public policy in California favoring settlements and avoiding litigation. *See* D.14-08-009, at 16; D.12-11-043, at 7; D.15-07-014, at 14-15, 21. The Settlement Agreement satisfies all three requirements of Rule 12.1(d), and it should be approved.

The parties agree that the settlement agreement represents a fair resolution of the issues pertinent to this proceeding without the need for further litigation. The Settlement will result in Budget paying the amount identified as overpaid in CPED's protest (with several minor reductions that the parties agree are reasonable) and as such, achieves the result requested in CPED's Protest. As such, the Settlement reflects an entirely reasonable outcome of this proceeding.

The settlement agreement is in the public interest, as over-payments made to Budget are being paid back in addition to interest. The settlement is also consistent with applicable law, including General Order 153, which provides for the auditing of California Lifeline funds (GO 153, Sec. 13.1) and the reimbursement of overpaid Lifeline funds (GO 153, Sec. 13.3).

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For these reasons, the Settlement Agreement is reasonable, consistent with the law, and in the public interest and should be approved in its entirety.

Sincerely,

/s/ Shanna Foley
Shanna Foley
Attorney for the
Consumer Protection and Enforcement Division

/s/ Suzanne Toller
Suzanne Toller
Attorneys for Budget PrePay, Inc.

cc: Christopher Poschl (via Email: christopher.poschl@cpuc.ca.gov)
Rudy Sastra (via Email: rudysastra@cpuc.ca.gov)

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SETTLEMENT AGREEMENT

This Settlement Agreement (the "Settlement Agreement" or the "Agreement") dated August 25, 2017, is made and entered into by and among Budget PrePay, Inc. (U4412C) ("Budget"), and the Consumer Protection and Enforcement Division ("CPED") of the California Public Utilities Commission ("CPUC" or "Commission"), each individually referred to as a "Party" and collectively referred to as the "Parties."

RECITALS

On April 24, 2017, Budget submitted its Advice Letter No. 20 to the Communications Division of the CPUC ("CD").

On May 15, 2017, CPED submitted a protest to Advice Letter No. 20 (the "Protest").

The Parties agree that the following terms are a reasonable compromise to resolve all issues concerning the Protest to Budget's Advice Letter No. 20.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and in consideration for the mutual promises contained herein and other good and valuable consideration, the sufficiency of which each of the Parties acknowledges, the Parties hereby agree as follows:

1. **Total Refund Amount.** In order to resolve the Protest and related issues, Budget will refund an overpayment of \$925,960.13 ("Total Refund Amount") in funds received from the California LifeLine program, reflecting the amount claimed in the Protest of \$993,460.00 (the "Total Claimed Amount"), less \$67,499.87 for two adjustments described below.

1.1 **Adjustment No. 1:** To more accurately reflect the actual amount of claimed service connection/activation Fees ("Fees") collected by Budget, the total claimed amount in the Protest will be reduced by \$44,889 ("Adjustment No. 1") to reflect the 1,151 Budget customers that did not trigger \$39.00 Fees from January 1, 2016 until June 24, 2016.

1.2 **Adjustment No. 2:** To reflect a more accurate estimate of the claimed ineligible customers for whom payments were received by Budget, the total claimed amount in the Protest will be reduced by \$22,610.87 ("Adjustment No. 2").

Settlement Agreement

2. **Settlement Amount.** Budget will pay the Commission \$191,770 in interest on the Total Refund Amount for a total settlement amount of \$1,117,730 (the "Settlement Amount").¹

3. **Remaining Support Due Budget.** Budget estimates that it will be due a total of \$322,000.00 from the Commission for California LifeLine support for service provided from February 2017 through August 2017 (the "Remaining Support").²

3.1 **February 2017 through June 2017 California LifeLine Support.** Attached as Exhibit A are copies of the claim forms that Budget has submitted to CD for California LifeLine support for the period from February 2017 through June 2017, totaling \$274,393.79.

3.2 **July 2017 through August 2017 California LifeLine Support.** Budget has not filed claims with the Commission for California LifeLine support for the period from July 2017 through August 2017. Budget will do so as soon as supporting data is available. Attached as Exhibit B is Budget's estimate of support it is entitled to for July 2017 through August 2017, totaling approximately \$48,360.

¹The Parties agree that Budget will pay 10% interest. This is informed by section 9.8.6 of General Order 153, which provides for the payment of 10% interest, and Commission decisions D.00-10-028 and D.14-01-037, which acknowledge that the payment of interest can have a deterrent effect, and California Public Utilities Code Section 405 and 406, which provide for additional payments over the base amount.

² The Parties agree that \$322,000.00 is a reasonable estimate of the amount to which Budget is owed from February 2017 through the end of August 2017. From February through June, Budget's claims total \$274,393.79, and have reflected a month-to-month decrease of about 20% per month (e.g., June's claim was for 79% of the May claim; the May claim was 81% of the April claim; the April claim was 83% of the March claim). Estimating that the July claim will be about 77% of the June claim (yielding an estimate of approximately \$28,000 for July), and that the August claim would be approximately 75% of the July claim (yielding an estimate of approximately \$21,000) yields a grand total of approximately \$322,750.00, or approximately \$750.00 more than the estimate to which the Parties have agreed as reasonable.

Settlement Agreement

4. **Determination of Remaining Support.** The exact amount of Remaining Support payable to Budget will be determined by the CD. In the event that CD determines that the Remaining Support due to Budget is less than \$300,000, the Settlement Amount will be reduced by the difference between \$300,000 and the lower amount. In the event that CD determines that Remaining Support payable to Budget is more than \$300,000, the Settlement Amount will be increased by the difference of \$300,000 and the higher amount.
5. **Release and Waiver.** Budget will release and waive its legal claims to any additional and future claims for California LifeLine support beyond the Remaining Support.
6. **No Admissions.** Budget admits no wrongdoing or liability. The Parties agree that by entering into this Agreement, Budget does not admit to any violations of law. Neither this Agreement nor any payment of a sum of money or other actions taken pursuant to this Agreement shall constitute or be deemed or construed as an admission of liability, or guilt, on the part of any Party mentioned in this Agreement.
7. **No fines, Penalties; No Additional Assessments or Clawbacks.** CPED will not assess any additional assessments or clawbacks, or any penalties or fines, on Budget arising from any issues raised by the Protest, including, without limitation, matters investigated as part of the Protest up through the date of the Settlement.
8. **Full and Final Resolution of All Issues.** The settlement fully and finally resolves all of the issues that were part of the Protest, including matters investigated as part of the Protest and the matters giving rise thereto, as between the Parties with regard to potential claims, penalties, enforcement actions or investigations relating to such issues. In particular, CPED releases Budget and its directors, officers, employees, agents, attorneys, shareholders, affiliates, successors, and assigns from all claims and liabilities arising out of such issues, including but not limited to, ineligible subscribers and issues arising from code 90-10 denials by the California LifeLine Administrator raised in the Protest.
9. **Approval by CD.** This Settlement Agreement will be executed by Budget and CPED staff and submitted to CD for approval. The parties agree to make best efforts to secure approval of this Settlement Agreement by CD.
10. **Neutral Characterization.** This Agreement, Budget's payment of the Settlement Amount, and CPED's release of claims, will be characterized in neutral terms in all communications by the Parties, including but not limited to CPED's withdrawal of its Protest and any communications by the CPED concerning the Settlement Amount or other terms of this Agreement. The Parties agree that a fair, neutral description is as follows: "Budget will refund an overpayment of \$925,960.13 in funds received from the California LifeLine program, plus interest, for subscribers that the Commission staff claimed to be ineligible for support."

Settlement Agreement

11. **Withdrawal of Protest.** Upon approval of the Settlement Agreement by CD, CPED will withdraw its protest of Budget's Advice Letter No. 20 within three (3) business days and will file no further protests to that advice letter.

11.1 **Lifting of Suspension of Advice Letter No. 20.** Additionally, the parties agree to recommend that, upon approval of the Settlement Agreement, the CD lift the suspension of Budget's Advice Letter No. 20 within seven (7) business days.

11.2 **Discontinuance & Relinquishment on Approval of Advice Letter 20.** The Parties agree that upon approval of Advice Letter No. 20, Budget may immediately discontinue the provision of wireless service to all of its existing customers, including without limitation California LifeLine customers, and that Budget's ETC designation status will be deemed relinquished by CPUC on the same date.

12. **Cessation of Service as of August 31, 2017.** Notwithstanding the approval status of Advice Letter No. 20, the Parties agree and acknowledge that Budget will cease to be a California LifeLine service provider as of August 31, 2017, and agree that CPED will not pursue liability or penalties associated with Budget's cessation of service as of August 31, 2017.

12.1 **Cessation of Customer Support as of August 31, 2017.** CPED acknowledges that as part of Budget's cessation of California LifeLine services as of August 31, 2017, Budget will cease customer support for its LifeLine operations in California as of that date. As such, as of August 31, 2017, any remaining LifeLine customers will no longer have access to customer support. Budget asserts – and CPED has no reason to question – that Budget has repeatedly given its remaining LifeLine customers notice that it will be ceasing LifeLine operations and will give its customers additional notice prior to actually ceasing operations.

13. **Contingent Obligations.** Except as otherwise provided herein, the Parties' obligations under the Settlement Agreement are contingent upon (i) approval of Advice Letter No. 20 by the Communications Division or the Commission; (ii) the Communications Division's completion of the actions recommended herein; and (iii) CPED's and Budget's completion of the actions agreed to herein.

14. **Modification and Renegotiation.** If the CD places conditions upon or otherwise recommends modification of the Settlement Agreement, the parties agree to negotiate in good faith to attempt to reform the Settlement Agreement and resubmit a revised version for approval, provided that such renegotiation can be accomplished in a timely manner.

15. **Payments.** Upon approval of the Settlement Agreement and Advice Letter No. 20, Budget shall make a payment of \$817,000 within seven (7) business days. Budget will pay the remaining balance of the Settlement Amount, if any, within seven (7) business days after Budget receives payment from the Commission for the Remaining Support. Payment shall be made payable to the California Public Utilities Commission and sent to:

California Public Utilities Commission

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DWT 264-85301v2 0107080-000229

Settlement Agreement

**Attn: Fiscal Office
505 Van Ness Avenue
San Francisco, CA 94102-3298**

16. **Governing Law.** This Agreement was entered into in the State of California. All rights and obligations arising out of this Agreement shall be governed by the laws of the State of California, excluding its choice of law provisions.

17. **Jurisdiction and Venue.** The Parties stipulate to jurisdiction and venue for any action arising out of this Agreement, or an alleged breach thereof, is proper in the Superior Court of the State of California, County of San Francisco.

18. **Authority to Execute Agreement.** The undersigned acknowledge and covenant that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency or employment.


19. **Counterparts.** This Agreement may be executed in counterparts with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be original and shall together constitute one and the same Agreement.

20. **Entire Agreement.** This Agreement supersedes all prior and contemporaneous communications, whether written or oral, regarding the subject matter covered in this Agreement. Any preceding agreements between the Parties are superseded by this Agreement.

IN WITNESS WHEREOF, the Parties hereby execute this Settlement Agreement on the date first set forth opposite their signature

Dated: August 25, 2017

BUDGET PREPAY, INC.

By: 
Danny Hyde, Chief Executive Officer,
Budget PrePay, Inc.

Dated: August __, 2017

CONSUMER PROTECTION &
ENFORCEMENT DIVISION, CPUC

By: _____
Jeanette Lo

Settlement Agreement

**Attn: Fiscal Office
505 Van Ness Avenue
San Francisco, CA 94102-3298**

16. **Governing Law.** This Agreement was entered into in the State of California. All rights and obligations arising out of this Agreement shall be governed by the laws of the State of California, excluding its choice of law provisions.

17. **Jurisdiction and Venue.** The Parties stipulate to jurisdiction and venue for any action arising out of this Agreement, or an alleged breach thereof, is proper in the Superior Court of the State of California, County of San Francisco.

18. **Authority to Execute Agreement.** The undersigned acknowledge and covenant that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency or employment.

19. **Counterparts.** This Agreement may be executed in counterparts with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be original and shall together constitute one and the same Agreement.

20. **Entire Agreement.** This Agreement supersedes all prior and contemporaneous communications, whether written or oral, regarding the subject matter covered in this Agreement. Any preceding agreements between the Parties are superseded by this Agreement.

IN WITNESS WHEREOF, the Parties hereby execute this Settlement Agreement on the date first set forth opposite their signature

Dated: August __, 2017

BUDGET PREPAY, INC.

By: _____
Danny Hyde, Chief Executive Officer,
Budget PrePay, Inc.

Dated: August 25, 2017

**CONSUMER PROTECTION &
ENFORCEMENT DIVISION, CPUC**

By: 
Jeannette Lo

Settlement Agreement

Branch Chief, Consumer Protection
and Enforcement Division

Settlement Agreement

EXHIBIT CHART

Exhibit A	Copies of the claim forms that Budget submitted to the Communications Division of the California Public Utilities Commission for California LifeLine support for the period from February 2017 through June 2017.
Exhibit B	Budget's estimate of support it is entitled to for July 2017 through August 2017

Settlement Agreement

EXHIBIT A

Copies of the claim forms that Budget submitted to the Communications Division of the California Public Utilities Commission for California LifeLine support for the period from February 2017 through June 2017

California LifeLine Report and Claim Form for Wireless

For Period of Feb-17

California LifeLine Service Provider
CPCN # U-4412-C

Budget PrePay, Inc. d/b/a Budget
Mobile

BASIC SERVICE RECOVERY

1. Allowable SSA for Cellular with CAWireless501-999	\$	-
1.5 Allowable SSA for CAWireless 501-999 (Disabled)	\$	-
2. Allowable SSA for Cellular with CAWireless1000 or more	\$	73,312.94
2.5 Allowable SSA for CAWireless1000 or more (Disabled)	\$	-
3. Connection Charges	\$	312.00
3.5 Connection Charges (Disabled)	\$	-
4. Conversion Charges	\$	-
4.5 Conversion Charges (Disabled)	\$	-
5. Surcharges and Taxes	\$	-

ADMINISTRATIVE EXPENSE RECOVERY

(Choose either Line 6 or Line 7 Methodology)

6. Incremental Administrative Expenses	\$	2,665.93
7. Administrative Expense Cost Factor	\$	-
8. Implementation Costs -New Reporting Requirements (Non-Recurring): By Commission Order: _____	\$	-
9. Other expenses, true-ups and credits	\$	-
10. TOTAL CLAIMS*	\$	76,290.86

I hereby certify under the penalty of perjury under the laws of the State of California that the foregoing claim, (including any accompanying schedules, statements, and workpapers) is true and has been examined by me and to the best of my knowledge and belief is a true, correct and complete claim.

Signature _____
Preparer Robin Enkey
Address 1325 Barksdale Blvd., Suite 200
Bossier City, LA 71111

Title Compliance Director
Date 14-Mar-17
Phone 318-671-5784
Email robine@budgetorepay.com

*Claimed amounts should be net of the support, if any, which the California LifeLine Service Provider expects to receive from the federal Lifeline Universal Service Fund (USF).

Email completed California LifeLine Claim Form and all supporting workpapers to lifelineclaim@cpuc.ca.gov

California LifeLine Service Provider
CPCN # U-4412-C

Budget PrePay, Inc. d/b/a Budget Mobile

Subscriber Statistics

Type of Subscriber Data	Count
New Connections/Activations	8
New Conversion	0
End-of-month CAWireless501-999 subscribers	0
End-of-month CAWireless1000 or more subscribers	4,938
End-of-month Disabled subscribers (CAWireless501-999)	0
End-of-month Disabled subscribers (CAWireless1000 or more)	0
End-of-month Total Subscribers	4,938
End-of-month Total Weighted Average Subscribers	5,332

California LifeLine Report and Claim Form for Wireless
For Period of Mar-17

California LifeLine Service Provider
CPCN # U-4412-C

Budget PrePay, Inc. d/b/a Budget
Mobile

BASIC SERVICE RECOVERY

1. Allowable SSA for Cellular with CAWireless501-999	\$	-
1.5 Allowable SSA for CAWireless 501-999 (Disabled)	\$	-
2. Allowable SSA for Cellular with CAWireless1000 or more	\$	62,604.99
2.5 Allowable SSA for CAWireless1000 or more (Disabled)	\$	-
3. Connection Charges	\$	-
3.5 Connection Charges (Disabled)	\$	-
4. Conversion Charges	\$	-
4.5 Conversion Charges (Disabled)	\$	-
5. Surcharges and Taxes	\$	-

ADMINISTRATIVE EXPENSE RECOVERY

(Choose either Line 6 or Line 7 Methodology)

6. Incremental Administrative Expenses	\$	2,276.55
7. Administrative Expense Cost Factor	\$	-
8. Implementation Costs -New Reporting Requirements (Non-Recurring): By Commission Order: _____	\$	-
9. Other expenses, true-ups and credits	\$	-
10. TOTAL CLAIMS*	\$	64,881.53

I hereby certify under the penalty of perjury under the laws of the State of California that the foregoing claim, (including any accompanying schedules, statements, and workpapers) is true and has been examined by me and to the best of my knowledge and belief is a true, correct and complete claim.

Signature	_____	Title	<u>Compliance Director</u>
Preparer	<u>Robin Enkey</u>	Date	<u>18-Apr-17</u>
Address	<u>1325 Barksdale Blvd., Suite 200</u>	Phone	<u>318-671-5784</u>
	<u>Bossier City, LA 71111</u>	Email	<u>robine@budgetprepay.com</u>

*Claimed amounts should be net of the support, if any, which the California LifeLine Service Provider expects to receive from the federal Lifeline Universal Service Fund (USF).

Email completed California LifeLine Claim Form and all supporting workpapers to lifelineclaim@cpuc.ca.gov

California LifeLine Service Provider
CPCN # U-4412-C

Budget PrePay, Inc. d/b/a Budget Mobile

Subscriber Statistics

Type of Subscriber Data	Count
New Connections/Activations	0
New Conversion	0
End-of-month CAWireless501-999 subscribers	0
End-of-month CAWireless1000 or more subscribers	4,157
End-of-month Disabled subscribers (CAWireless501-999)	0
End-of-month Disabled subscribers (CAWireless1000 or more)	0
End-of-month Total Subscribers	4,157
End-of-month Total Weighted Average Subscribers	4,553

California LifeLine Report and Claim Form for Wireless

For Period of Apr-17

California LifeLine Service Provider
CPCN # U-4412-C

Budget PrePay, Inc. d/b/a Budget
Mobile

BASIC SERVICE RECOVERY

1. Allowable SSA for Cellular with CAWireless501-999	\$	-
1.5 Allowable SSA for CAWireless 501-999 (Disabled)	\$	-
2. Allowable SSA for Cellular with CAWireless1000 or more	\$	51,875.73
2.5 Allowable SSA for CAWireless1000 or more (Disabled)	\$	-
3. Connection Charges	\$	-
3.5 Connection Charges (Disabled)	\$	-
4. Conversion Charges	\$	-
4.5 Conversion Charges (Disabled)	\$	-
5. Surcharges and Taxes	\$	-

ADMINISTRATIVE EXPENSE RECOVERY

(Choose either Line 6 or Line 7 Methodology)

6. Incremental Administrative Expenses	\$	1,886.39
7. Administrative Expense Cost Factor	\$	-
8. Implementation Costs -New Reporting Requirements (Non-Recurring):	\$	-
By Commission Order: _____	\$	-
9. Other expenses, true-ups and credits	\$	-
10. TOTAL CLAIMS*	\$	53,762.12

I hereby certify under the penalty of perjury under the laws of the State of California that the foregoing claim, (including any accompanying schedules, statements, and workpapers) is true and has been examined by me and to the best of my knowledge and belief is a true, correct and complete claim.

Signature	_____	Title	<u>Compliance Director</u>
Preparer	<u>Robin Enkey</u>	Date	<u>12-May-17</u>
Address	<u>1325 Barksdale Blvd., Suite 200</u>	Phone	<u>318-671-5784</u>
	<u>Bossier City, LA 71111</u>	Email	<u>robine@budgetprepay.com</u>

*Claimed amounts should be net of the support, if any, which the California LifeLine Service Provider expects to receive from the federal Lifeline Universal Service Fund (USF).

Email completed California LifeLine Claim Form and all supporting workpapers to lifelineclaim@cpuc.ca.gov

California LifeLine Service Provider
CPCN # U-4412-C

Budget PrePay, Inc. d/b/a Budget Mobile

Subscriber Statistics

Type of Subscriber Data	Count
New Connections/Activations	0
New Conversion	0
End-of-month CAWireless501-999 subscribers	0
End-of-month CAWireless1000 or more subscribers	3,427
End-of-month Disabled subscribers (CAWireless501-999)	0
End-of-month Disabled subscribers (CAWireless1000 or more)	0
End-of-month Total Subscribers	3,427
End-of-month Total Weighted Average Subscribers	3,773

California LifeLine Report and Claim Form for Wireless

For Period of May-17

California LifeLine Service Provider
CPCN # U-4412-C

Budget PrePay, Inc. d/b/a Budget
Mobile

BASIC SERVICE RECOVERY

1. Allowable SSA for Cellular with CAWireless501-999	\$	-
1.5 Allowable SSA for CAWireless 501-999 (Disabled)	\$	-
2. Allowable SSA for Cellular with CAWireless1000 or more	\$	42,042.55
2.5 Allowable SSA for CAWireless1000 or more (Disabled)	\$	-
3. Connection Charges	\$	-
3.5 Connection Charges (Disabled)	\$	-
4. Conversion Charges	\$	-
4.5 Conversion Charges (Disabled)	\$	-
5. Surcharges and Taxes	\$	-

ADMINISTRATIVE EXPENSE RECOVERY

(Choose either Line 6 or Line 7 Methodology)

6. Incremental Administrative Expenses	\$	1,528.82
7. Administrative Expense Cost Factor	\$	-
8. Implementation Costs -New Reporting Requirements (Non-Recurring):	\$	-
By Commission Order: _____		
9. Other expenses, true-ups and credits	\$	-
10. TOTAL CLAIMS*	\$	43,571.37

I hereby certify under the penalty of perjury under the laws of the State of California that the foregoing claim, (including any accompanying schedules, statements, and workpapers) is true and has been examined by me and to the best of my knowledge and belief is a true, correct and complete claim.

Signature _____
Preparer Robin Enkey
Address 1325 Barksdale Blvd., Suite 200
Bossier City, LA 71111

Title Compliance Director
Date 13-Jun-17
Phone 318-671-5784
Email robine@budgetorepay.com

*Claimed amounts should be net of the support, if any, which the California LifeLine Service Provider expects to receive from the federal Lifeline Universal Service Fund (USF).

Email completed California LifeLine Claim Form and all supporting workpapers to lifelineclaim@cpuc.ca.gov

California LifeLine Service Provider
CPCN # U-4412-C

Budget PrePay, Inc. d/b/a Budget Mobile

Subscriber Statistics

Type of Subscriber Data	Count
New Connections/Activations	0
New Conversion	0
End-of-month CAWireless501-999 subscribers	0
End-of-month CAWireless1000 or more subscribers	2,773
End-of-month Disabled subscribers (CAWireless501-999)	0
End-of-month Disabled subscribers (CAWireless1000 or more)	0
End-of-month Total Subscribers	2,773
End-of-month Total Weighted Average Subscribers	3,058

California LifeLine Report and Claim Form for Wireless

For Period of Jun-17

California LifeLine Service Provider
CPCN # U-4412-C

Budget PrePay, Inc. d/b/a Budget
Mobile

BASIC SERVICE RECOVERY

1. Allowable SSA for Cellular with CAWireless501-999	\$	-
1.5 Allowable SSA for CAWireless 501-999 (Disabled)	\$	-
2. Allowable SSA for Cellular with CAWireless1000 or more	\$	34,628.69
2.5 Allowable SSA for CAWireless1000 or more (Disabled)	\$	-
3. Connection Charges	\$	-
3.5 Connection Charges (Disabled)	\$	-
4. Conversion Charges	\$	-
4.5 Conversion Charges (Disabled)	\$	-
5. Surcharges and Taxes	\$	-

ADMINISTRATIVE EXPENSE RECOVERY

(Choose either Line 6 or Line 7 Methodology)

6. Incremental Administrative Expenses	\$	1,259.23
7. Administrative Expense Cost Factor	\$	-
8. Implementation Costs -New Reporting Requirements (Non-Recurring):	\$	-
By Commission Order: _____		
9. Other expenses, true-ups and credits	\$	-
10. TOTAL CLAIMS*	\$	35,887.91

I hereby certify under the penalty of perjury under the laws of the State of California that the foregoing claim, (including any accompanying schedules, statements, and workpapers) is true and has been examined by me and to the best of my knowledge and belief is a true, correct and complete claim.

Signature _____	Title <u>Compliance Director</u>
Preparer <u>Robin Enkey</u>	Date <u>12-Jul-17</u>
Address <u>1325 Barksdale Blvd., Suite 200</u>	Phone <u>318-671-5784</u>
<u>Bossier City, LA 71111</u>	Email <u>robine@budgetprepay.com</u>

*Claimed amounts should be net of the support, if any, which the California LifeLine Service Provider expects to receive from the federal Lifeline Universal Service Fund (USF).

Email completed California LifeLine Claim Form and all supporting workpapers to lifelineclaim@cpuc.ca.gov

California LifeLine Service Provider
CPCN # U-4412-C

Budget PrePay, Inc. d/b/a Budget Mobile

Subscriber Statistics

Type of Subscriber Data	Count
New Connections/Activations	0
New Conversion	0
End-of-month CAWireless501-999 subscribers	0
End-of-month CAWireless1000 or more subscribers	2,304
End-of-month Disabled subscribers (CAWireless501-999)	0
End-of-month Disabled subscribers (CAWireless1000 or more)	0
End-of-month Total Subscribers	2,304
End-of-month Total Weighted Average Subscribers	2,518

Settlement Agreement

EXHIBIT B

**Budget's estimate of support to which Budget is entitled for the period from
July 2017 through August 2017**

Feb	\$ 76,290.86	(actual claimed support)
Mar	\$ 64,881.53	(actual claimed support)
Apr	\$ 53,762.12	(actual claimed support)
May	\$ 43,571.37	(actual claimed support)
June	\$ 35,887.91	(actual claimed support)
July	\$ 27,633.69	(estimate)
Aug	\$ 20,725.27	(estimate)
<hr/>		
Total estimate for July and August	\$ 48,358.96	
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Total estimate for Feb. through August 2017	\$ 322,752.75	