Date of Issuance: November 12, 2024

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Communications Division
Consumer Programs Branch

RESOLUTION T-17849
November 07, 2024

R E S O L U T I O N

RESOLUTION T-17849 waives the penalties associated with Ordering Paragraph 8 in Decision 21-11-030 requiring Verizon Communications Inc. to migrate all TracFone Wireless, Inc. (U-4231-C) California customers to the Verizon network within two years as a condition of approving the merger.

SUMMARY

On November 18, 2021, in Decision (D.) 21-11-030, the Commission approved the merger of Verizon Communications Inc. (Verizon) and TracFone Wireless, Inc. (TracFone) with conditions. The conditions mitigate potential harm to customers by requiring complete migration of TracFone customers who are not currently using Verizon's network within two years, and requiring the offer of Verizon network-compatible handsets at no cost to current TracFone customers who do not have one, among other things.

D.21-11-030 also establishes a reporting process and a mitigation enforcement program with penalties assigned to each condition. D.21-11-030 further specifies the modification of the schedule fines by Resolution.[1]

This Resolution would waive the penalties outlined in D. 21-11-030 Ordering Paragraph (OP) 8 regarding the migration of all TracFone California customers to the Verizon network within two years of the close of the transaction.

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[1] See D.21-11-030, Appendix A, Section 1.3; D.21-11-030 at A3.

BACKGROUND

On November 5, 2020, Verizon, América Móvil, S.A.B. de C.V. (América Móvil), and TracFone sought Commission approval for the transfer of control of TracFone to Verizon in Application 20-11-001. Verizon is a facilities-based operator with multiple subsidiaries offering voice, data, and video services. Verizon provides customer service primarily on the Verizon network. TracFone was an indirect, wholly owned subsidiary of América Móvil. TracFone sold and distributed prepaid, no-contract wireless phones and wireless voice service as a mobile virtual network operator (MVNO). TracFone provided customer service by entering contracts with facilities-based wireless or mobile carriers (also called mobile network operators or MNOs) to use their networks as it did not own its wireless network. As an MVNO, TracFone relied on facilities-based network providers to offer service through wholesale service agreements. After the close of the proposed transaction, Verizon planned to migrate all TracFone customers currently using the networks of other MNOs (in general, AT&T and T-Mobile) to Verizon's network,[2] prioritizing California LifeLine participants and customers with incompatible handsets.

On November 18, 2021, in D. 21-11-030, the Commission approved the Verizon and Tracfone merger with conditions. The merger was completed on November 23, 2021. The customer migration requirements outlined in OP 8 stated in pertinent part: "Within two years of the close of the proposed transaction, Verizon Communications, Inc. and Tracfone Wireless, Inc. shall migrate all TracFone Wireless, Inc. customers currently not using the network of Verizon Communications, Inc. to the company's network…." In the Scheduled Fines in Appendix A of D. 21-11-030, noncompliance with customer migration in OP 8 would result in fines on a compliance scale. For example, from a scale of 0% – less than 20% of the target achieved—i.e., the percentage of completed migration of all TracFone customers currently receiving service on a non-Verizon network—would result in fines of $100,000 per day; noncompliance between 80% – and 99% of the target achieved would result in fines of $60,000 per day.[3] D.21-11-030 permits the modification of the schedule fines by Resolution.[4]

In compliance with OP 8 (h) ii, which required base line customer counts, TracFone timely filed Advice Letter 75 on January 24, 2022, reporting that [redacted] TracFone California customers were served on a network other than Verizon's. This baseline served as the target for customer migration, with [redacted] customers requiring a compatible handset

[2] D.21-11-030 at p. 3
[3] D.21-11-030 at A2 and A3.
[4] See D.21-11-030, Appendix A, Section 1.3; D.21-11-030 at A3.

and/or a Verizon subscriber identity module (SIM) card to be able to migrate to Verizon's network. Of those, [redacted] are California LifeLine customers.

Following the merger, Verizon and TracFone also created tools to promote consumer communication campaigns, including website pages and videos.[5] The communication campaigns provide customers with easy-to-understand, step-by-step instructions on either transitioning to Verizon's network or options for opting out of the migration. A merger specific website[6] was developed for TracFone customers with information on transition deadlines, customers' ability to keep their current plan, ways to obtain a no-cost Verizon network compatible SIM card/device, and phone number to the merger dedicated customer service line.

On May 20, 2022, TracFone reported they had migrated approximately 27 percent of the target customer based and needed to migrate 313,969 customers (75,451 of which were LifeLine customers). [7] In addition to quarterly and annual compliance reporting, Verizon and TracFone provided supplemental monthly responses to data requests. Verizon and TracFone were required to meet with staff every six months to discuss migration but met on a monthly basis to discuss efforts to migrate customers. After discussions with staff, Verizon encouraged customers without compatible devices to migrate to the Verizon network by offering TracFone customers a free month of service, a free SIM card, and a free 4G LTE or 5G smartphone beginning in 2022.
Also, TracFone communicated with the entire target customer base "as many as 50 times via text messaging (the main vehicle for prepaid customer communication) and emailing customers who provided an email address."[8]

On May 24, 2023, TracFone reported they had migrated approximately 40 percent migration of the target customer base and needed to migrate 170,834[9] customers (21,822 of which were LifeLine customers).

On April 6, 2023, Verizon asked Communications Division (CD) staff for an extension of time, as the company was having difficulty complying with OP 8 by the November 22, 2023, compliance date. Staff advised Verizon to submit a formal request to the Commission's Executive Director in accordance with Rule 16.6 of the Commission's Rules of Practice and Procedure. On June 2, 2023, Verizon submitted a letter to the Commission's Executive Director requesting a one-year extension to comply

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[5] Replacement SIM Video and Replace Device Video
[6] https://www.tracfonewirelessinc.com/en/verizonacquisition/
[7] Advice Letter 79, filed on May 20, 2022.
[8] Renewed and Revised Request for Extension of Time, Ordering Paragraph 8, filed on September 28, 2023.
[9] Advice Letter 99, filed on May 24, 2023.

with OP 8. On July 12, 2023, the request for an extension of time was denied, but also recommended that strategies for a successful customer migration should be included in any future request submitted by Verizon.

On July 27, 2023, Verizon and TracFone joint companies filed a Petition for Modification (PFM) for OP 8 of D. 21-11-030 pursuant to with Rule 16.4(d).[10] Verizon requested modification of OP 8 to provide "for an indefinite time period that will last at least through 2025" to migrate TracFone California customers who are served on MNO networks.[11] On August 11, 2023, Verizon filed a Motion to Stay OP 8. On September 28, 2023, Verizon filed a second request for a one-year extension to November 22, 2024, with the recommendations from staff, consumer groups and the July 12, 2023, denial letter. Verizon provided the five following strategies to implement customer migration.

1. **"White Glove"/"Concierge" Live Customer Service**: TracFone will provide "white glove" or concierge support through live customer service representatives. Both Target Customers who have accepted migration offers and those who have yet to accept the offer will receive this live support. Specifically, customer service representatives will be actively engaged to assist customers in replacing a SIM card, setting up a replacement smartphone, and/or initiating service over the Verizon network.

2. **Instructional Videos**: TracFone has created videos designed to provide step-by-step instructions to assist consumers through the migration process. These instructional videos address how to replace a SIM card, initiate service, and set up a replacement smartphone.

3. **Enhanced Outreach Messaging**: TracFone will contact all Target Customers who received a free smartphone or SIM card but have yet to activate their service on the Verizon network. The outreach will occur through live customer support, text messages, and direct mail.

4. **Leveraging TracFone Rewards Program**: Approximately 40% of the Target Customers participate in the TracFone Rewards Program. Leveraging the TracFone rewards program, TracFone will further incentivize migration to TracFone Rewards Program customers by offering two free months of service

[10] Rule 16.4(d) allows carriers to file beyond the one-year effective date of the decision if there is an explanation provided.
[11] PFM at 2.

(three months of service free, including the ongoing offer of one month of free service) or a $100 device credit.

5. **Call Routing Pilot**: TracFone will pilot routing select Target Customers to a Customer Service Representative upon the customer making an outbound call. The customer will then be educated on TracFone's effort to migrate them from a non-Verizon network and provided an offer of [a] free SIM card or smartphone.

On November 8, 2023, the Commission's Executive Director granted Verizon's second request, which included extending the deadline for compliance with OP 8 to November 22, 2024.

On July 2, 2024, the CD approved the call routing measure after Verizon assured CD that the system would not interrupt outbound calls to 911. Verizon implemented the call routing system to reach the remaining target customer base without network compatible devices. The call routing system would route a customer's outbound call to a Verizon customer care representative. The representative would explain the required merger migration, offer a free network-compatible device, and attempt to have the customer opt in or out of migration. Before routing the call, Verizon would send a text message informing the customer of the impending call routing interruption and a toll-free number so that the customer could call in to avoid call routing. Verizon began call routing on August 7, 2024, with a frequency of once-a-month interruption that Verizon may increase over time. The Commission's Consumer Affairs Branch reported no customer inquiries about the call routing interruptions.

On June 14, 2024, in a settlement agreement between Center for Accessible Technology, Verizon, and The Utility Reform Network regarding post-acquisition customers served by a non-Verizon network, Verizon commits to serving non-migrated customers through December 31, 2025.[12]

As of August 8, 2024, TracFone reported that 69,456[13] customers (of which 10,371 are LifeLine customers) have yet to be migrated. TracFone migrated more than 80 percent of the customers, a 6% increase in the total customer migration from November 27, 2023.[14] Verizon reported in August 2024 that the initial implementation of call routing interruptions resulted in only [redacted] customers staying on the phone to reach a customer

[12] June 14, 2024 Settlement Agreement - Attachment A. This Settlement Agreement has not yet been adopted by the Commission.
[13] Advice Letter 114, filed on August 13, 2024.
[14] Advice Letter 104, filed on November 27, 2023.

service representative; of those, [redacted] customers migrated to the Verizon network. Verizon plans to increase the call routing frequency to two interruptions in September, assess its efficacy, and may increase the frequency again.

Verizon and TracFone have engaged in concerted efforts using a robust outreach plan, offerings, and strategies, as mentioned above, to migrate customers in compliance with OP 8. The Commission understands that it is the consumer's choice not to migrate to the Verizon network. Customers who choose not to migrate despite repeated efforts to inform them of the opportunity to do so and not lose service will receive ample notice 60 days, 30 days, and 7 days before their service ends, in compliance with OP 8(d).

DISCUSSION

This Resolution waives the penalty in D.21-11-030 associated with OP 8 customer migration based on staff recommendation and pursuant to D.21-11-030 Appendix A, Section 1.3 Modification of Scheduled Fines by Resolution. Considering Verizon and Tracfone's efforts to implement the intent of the Decision, including the migration of more than 80 percent of the total affected customers, CD staff finds it reasonable to waive the fines from D.21-11-030, which would amount to $60,000 per day.[15]

Verizon and TracFone have worked with staff since the merger to comply with the customer migration in OP 8. In addition to compliance reporting, Verizon and TracFone met with staff to review monthly data requests. The companies have shown consistent efforts to comply with OP 8 through customer offerings to migrate onto the Verizon network, including a free month of service, a free SIM card, and a free 4G LTE or 5G smartphone. TracFone implemented a robust outreach plan to the target customer base through text messaging, the primary vehicle for prepaid customer communication, and emailing customers who provided an email address. Verizon and TracFone reported that even with repeated outreach to customers with these offerings, they experienced little to no response. Verizon and TracFone reported that some customers who accepted the free equipment offer failed to take the additional steps to activate the free SIM card or handset.

As the companies encountered compliance challenges, they communicated with staff and further developed efforts. Following the approved request for a one-year extension from September 2023, Verizon implemented strategies to achieve the migration goals in OP 8, which include "White Glove"/"Concierge" Live Customer Service, Instructional Videos, Enhanced Outreach Messaging, Leveraging TracFone Rewards Program, and Call

[15] D.23-11-030 at A2 and A3

Routing. The uptake from these efforts has narrowed the number of customers who have yet to migrate from approximately 100,000 to approximately 69,000.

Staff have discussed with Verizon and TracFone ways to mitigate customer impact for those who have not migrated to the Verizon network. Verizon and TracFone will continue to provide service to customers who have not migrated to Verizon's network through existing extended wholesale contracts, at least through 2025.[16] Furthermore, before the expiration of the wholesale contracts with third parties which result in terminated service for customers who have chosen not to migrate to the Verizon network, TracFone will inform those customers at 60 days, 30 days, and 7 days in compliance with OP 8(d). Verizon and TracFone will make available their offer of a free SIM card or new handset for up to one year following the adoption of this resolution to support the migration of remaining TracFone customers on non-Verizon networks.

COMMENTS

In compliance with Public Utilities Code section 311(g)(1), the Commission emailed a notice letter on October 3, 2024, informing all parties on the eligible telecommunications carrier service list and California LifeLine proceeding list of the availability of this resolution for public comments at the Commission's website https://www.cpuc.ca.gov/documents/. The notice letter also informed parties that the final conformed resolution adopted by the Commission will be posted and available at this same website.

On October 23, 2024, Verizon, Center for Accessible Technology (CforAT), and The Utility Reform Network (TURN) submitted formal comments. CforAT and TURN filed as joint applicants.

Verizon's Comments

Verizon generally supports the Draft Resolution. In their comments Verizon stated that they will continue to make available their offer of a free SIM card or new handset for up to one year following the adoption of this resolution to those remaining TracFone customers on non-Verizon networks. Verizon also clarified that they began migration offers in early 2022, some customers who accepted the free equipment failed to take the additional steps to activate the free SIM card or handset, and that TracFone customers require a compatible handset or a SIM card to migrate to the Verizon network, not both.

[16] PFM at 2

CforAT and TURN's Comments:
CforAT and TURN oppose the Draft Resolution. CforAT and TURN explained that the Draft Resolution eliminates critical penalty provisions for Verizon's failure to migrate customers and would no longer be in the public interest. CforAT and TURN argue that in addition to staff modifying the schedule of fines, staff would also authorize Verizon to terminate TracFone customers' service when Verizon's wholesale contracts with AT&T and T-Mobile expire. CforAT and TURN further argue that Verizon agreed to migrate all of TracFone's customers with incompatible devices. Furthermore, CforAT and TURN also disagree with the Draft Resolution's characterization of a free SIM card or handset as an incentive when it is a migration requirement.

Verizon’s Reply Comments to CforAT and TURN:
In response to CforAT and TURN’s comments, Verizon recommends that the Commission disregard CforAT and TURN's comments to the Draft Resolution. Verizon disagrees with CforAT and TURN’s claim that the penalties related to migration were at the core of the determination of public interest. Verizon explained that the penalties related to migration were established to address the Commission’s concern that Verizon did not have a complete migration plan, and that Verizon had not demonstrated at that time a commitment of staffing and other resources to migrate hundreds of thousands of customers. Verizon noted that they filed a detailed migration plan in Advice Letter #75 on January 24, 2022, and have reached over 80% of the target customers' migration. Verizon also argues that CforAT and TURN's comment that the Draft Resolution improperly authorizes termination of TracFone service when wholesale agreements expire is incorrect as the merger decision in Ordering Paragraph 8(d) recognizes expiration dates and allows service termination with 60-, 30-, and 7-days’ notice.

Staff’s Response to Comments and Reply Comments:
Staff agrees with Verizon's clarifications that Verizon began migration offers in early 2022, prioritizing LifeLine customers and customers requiring new handsets or SIM cards. Staff also accepts with Verizon explanation that some customers who accepted the free equipment failed to take the additional steps to activate the free SIM card or handset. Staff agrees that TracFone customers require either a compatible handset or a SIM card to migrate to the Verizon network, not both. Finally, staff acknowledges Verizon’s statement that they will make available their offer of a free SIM card or new handset for up to one year following the adoption of this resolution to the remaining TracFone customers on non-Verizon networks. These customers will continue to receive these offers if they decide to migrate and continue receiving service until the existing wholesale contracts expire, at least through 2025.

Staff agrees with CforAT and TURN's comment regarding the merits of the June 14, 2024 Settlement Agreement and includes a footnote to Finding #21 stating that the adoption of this proposed resolution will not impact the Settlement Agreement. Furthermore, staff acknowledges the characterization of a free SIM card or handset as a “customer incentive" and replaces the word "incentives" with "offerings."

Staff disagrees with CforAT and TURN that by modifying the schedule of fines; the Draft Resolution would also authorize Verizon to terminate TracFone customers’ service when Verizon’s wholesale contracts with AT&T and T-Mobile expire. OP 8(d) states that wholesale contracts have expiration dates and contemplates the ending of service with 60 days, 30 days, and 7 days’ notice.

FINDINGS

1. On November 5, 2020, Verizon, América Móvil, S.A.B. de C.V., and TracFone filed a joint Application 20-11-001 to request the Commission’s approval for the transfer of control of TracFone to Verizon.
2. TracFone sold and distributed prepaid, no-contract wireless phones and wireless voice service as a mobile virtual network operator (MVNO).
3. TracFone has wholesale service agreements with facilities-based network providers to offer customer service.
4. The Commission approved the merger on November 18, 2021, in D.21-11-030, with conditions, including a condition in OP 8 requiring Verizon to migrate all TracFone California customers to the Verizon network within two years.
5. Beginning in early 2022, Verizon encouraged customers without compatible devices to migrate to the Verizon network by offering TracFone customers a free month of service, a free SIM card, and a free 4G LTE smartphone. As required by D.21-11-030, in November 2022 Verizon began offering a free 5G smartphone to customers without compatible devices to migrate to the Verizon network.
6. TracFone implemented a robust outreach plan to target the customer base through text messaging, the primary vehicle for prepaid customer communication, and emailing customers who provided an email address.
7. On January 24, 2022, TracFone filed Advice Letter (AL) 75, which included the baseline customer count of [redacted] TracFone California customers served on a network other than the Verizon network.
8. [redacted] TracFone California customers require a compatible handset or a Verizon SIM card to migrate to the Verizon network.

9. On April 6, 2023, Verizon informed CD staff of the challenges met in complying with OP 8 and the need for an extension.
10. On June 2, 2023, Verizon submitted a request for a one-year extension to Executive Director Peterson to comply with OP 8, pursuant to Rule 16.6.
11. On July 12, 2023, Executive Director Peterson denied the request for an extension of time to comply and suggested that Verizon provide details on the strategies that would be employed to enhance migration if submitting a second request.
12. On July 27, 2023, Verizon and TracFone filed a Petition for Modification of D. 21-11-030 OP 8.
13. On August 11, 2023, Verizon filed a Motion to Stay OP 8.
14. On September 28, 2023, Verizon submitted a second request for a one-year extension to November 22, 2024, that included strategies for increased migration.
15. On November 8, 2023, the Executive Director granted Verizon’s request for an extension of time to comply.
16. Verizon, to incentivize migration, offered TracFone customers without Verizon network compatible devices a free month of service, a free SIM card, and a free 4G LTE or 5G smartphone
17. Verizon implemented strategies to achieve the migration goals in OP 8, which include "White Glove"/"Concierge" Live Customer Service, Instructional Videos, Enhanced Outreach Messaging, Leveraging TracFone Rewards Program, and Call Routing.
18. Verizon and TracFone received little to no response despite repeated outreach to customers with offerings to migrate to the Verizon network, including a free month of service, a free SIM card, and a free 4G LTE or 5G smartphone.
19. Some customers who accepted the free equipment offer failed to take the additional steps to activate the free SIM card or handset.
20. Even with Verizon and TracFone's concerted efforts using a robust outreach plan, offerings, and strategies to migrate customers in compliance with OP 8, the Commission understands that it's the consumer's choice not to migrate to the Verizon network.
21. On June 14, 2024, in a settlement agreement between Center for Accessible Technology, Verizon, and The Utility Reform Network regarding post-acquisition customers served by a non-Verizon network, Verizon commits to serving non-migrated customers through December 31, 2025.[17]

[17] The Settlement Agreement between CforAT, TURN, and Verizon has not yet been adopted by the Commission. The adoption of this proposed resolution does not impact the settlement agreement.

22. As of August 8, 2024, 69,456 TracFone California customers have yet to migrate.
23. More than 80 percent of TracFone California customers served on another mobile network operators' network have been migrated to the Verizon network.
24. TracFone California customers who have yet to migrate will continue to get service through Verizon's existing MNO contracts through at least 2025.
25. Verizon will notify TracFone California customers in advance of contract expiration as required by OP 8.
26. In D.21-11-030, Appendix A - Scheduled Fines established daily fines for noncompliance with OP 8 regarding the failure to migrate all TracFone customers.
27. In D.21-11-030, Appendix A, Section 1.3 permits the modification of the schedule of fines by Resolution.
28. On October 3, 2024, the Commission emailed a draft of this Resolution to the eligible telecommunications carrier and California LifeLine proceeding service lists for public comments.

THERFORE, IT IS ORDERED that:

1. The Commission waives the penalty in Decision 21-11-030 associated with Ordering Paragraph 8 requiring Verizon to complete the migration of TracFone Wireless, Inc. (U4321C) customers who are not currently using Verizon's network within two years of the close of the transaction.
2. All other conditions approved in Decision 21-11-030 remain in effect.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on November 7, 2024, the following Commissioners voting favorable thereon:

/s/ RACHEL PETERSON
Rachel Peterson
Executive Director

ALICE REYNOLDS
President
DARCIE HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
MATTHEW BAKER
Commissioners