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July 21, 2006

RECEIVED

JUL 21 2006

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Patty Van Gerpen
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, South Dakota 57501

Re: Docket TC05-083; Docket TC05-087; Docket TC05-090; Docket TC05-091;
Docket TC05-092; Docket TC05-093; Docket TC05-094; Docket TC05-095;
Docket TC05-109

Dear Patty:

Please find enclosed for filing four (4) copies of the following Direct Testimony, together with Certificate of Service, in the above referenced dockets:

~~/~~ Docket TC05-083: Direct Testimony of Christy Miedema

~~/~~ Docket TC05-087: Direct Testimony of Ann Kuyper

Docket TC05-090 – TC05-095: Direct Pre-Filed Testimony of Tim Eklund

~~/~~ Docket TC05-109: Direct Testimony of Jonas O. Karlsson

Sincerely yours,

RITER, ROGERS, WATTIER & BROWN, LLP

By: *Margo D Northrup*

Margo D. Northrup

MDN/rar
Enclosures

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

RECEIVED

JUL 21 2006

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE ESTABLISHMENT OF)
LECS' 2005 SWITCHED ACCESS REVENUE)
REQUIREMENTS)

DOCKET NO. TC05-083)
)
)

Alliance Communications Cooperative, Inc.

Direct Testimony of Christy Miedema

July 19, 2006

DIRECT PRE-FILED TESTIMONY OF CHRISTY MIEDEMA

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Christy Miedema. My business address is 1515 North Sanborn Boulevard, Mitchell, South Dakota 57301.

Q. PLEASE STATE BY WHOM YOU ARE EMPLOYED AND WHAT POSITION.

A. I am a Carrier Consultant for Martin Group, Inc..

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND QUALIFICATIONS IN THE TELECOMMUNICATIONS INDUSTRY.

A. I graduated in 1995 from Mount Marty College, Yankton, South Dakota with a Bachelor of Arts Degree in Accounting. I joined Martin Group in 1995 in the Cost Separations Department as a Carrier Consultant and I continue to hold that position today. My work experience at Martin Group includes preparation of numerous state and interstate cost studies. I completed Alliance's (then Splitrock Telecom) 1995 Intrastate Switched Access Filing and have completed every intrastate switched access filing on their behalf since that time. In addition I have completed special studies as requested by Alliance including the 2002 USF Disaggregation Study, Central Office Equipment Continuing Property Records and FCC Form 499 Telecommunications Reporting Worksheets.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Martin Group has been retained by Alliance Communications to develop and file its 2004 Intrastate Switched Access Separations Study. The purpose of my

1 testimony is to outline the methodology used in arriving at the intrastate access
2 revenue requirement submitted on August 16, 2005 to the South Dakota PUC by
3 Alliance Communications in this docket. The intrastate revenue requirement
4 arrived at in this study is used to develop intrastate switched access rates which
5 exchange carriers, such as Alliance, charge to interexchange carriers.

6 **Q. WHAT ARE SWITCHED ACCESS CHARGES?**

7 A. Interexchange Carriers (IXC) such as AT&T and MCI pay access charges to the
8 Local Exchange Carriers (LEC), such as Alliance, for access to customers in the
9 LEC's exchange area. Switched access charges reimburse the LEC for facilities
10 used by the IXC to reach customers originating and terminating these long
11 distance (interexchange/toll) calls.

12 **Q. HOW ARE ACCESS CHARGES DETERMINED?**

13 A. Access rates are determined by dividing the LEC's revenue requirement (RR) by
14 the switched access minutes of use (AMOU) utilizing the LEC's facilities.

15 **Q. WHAT MAKES UP THE LEC'S REVENUE REQUIREMENT?**

16 A. The LEC's revenue requirement is based on two components: (1) operating
17 expenses (including operating taxes), and (2) return on capital investments. To
18 determine the return on capital investment, the net investment (cost less
19 depreciation) is taken times the authorized rate of return.

20 **Q. WHAT RATE OF RETURN IS USED IN THIS SWITCHED ACCESS**
21 **FILING?**

22 A. 10%. The 10% rate of return utilized by Alliance in this filing was established in
23 South Dakota Public Utilities Commission Docket #TC93-086 "In the Matter of

1 the Establishment of Switched Access Rates for Local Exchange Carriers
2 Association”.

3 **Q. WHAT ACCESS RATES DOES ALLIANCE CHARGE THE IXCs?**

4 A. As a member of the Local Exchange Carrier Association (LECA), Alliance
5 concurs in the LECA switched access tariff and charges IXCs the LECA rates
6 filed with the South Dakota PUC. Through a pooling mechanism, LECA settles
7 with each of its members to account for the difference between the LECA rate and
8 the individual member’s switched access rate.

9 **Q. HOW ARE LECA’S ACCESS RATES DETERMINED?**

10 A. Members of LECA file a company-specific intrastate switched access separations
11 study as described in the following answers. The result of the study is a company-
12 specific revenue requirement. The associated access minutes of use (AMOU)
13 from the same historical test year as the revenue requirement are also submitted to
14 LECA. LECA sums each member’s revenue requirement to develop a total
15 LECA revenue requirement. The total LECA revenue requirement is divided by
16 the total of all LECA member companies’ historical test year AMOU to determine
17 the intrastate switched access rates. As a member of LECA, Alliance’s revenue
18 requirement and AMOU are included with the other members’ revenue
19 requirements and AMOU to determine the LECA rates.

20 **Q. CAN YOU DESCRIBE THE INTRASTATE SWITCHED ACCESS**
21 **SEPARATIONS STUDY REVENUE REQUIREMENT DEVELOPMENT**
22 **FILED BY MARTIN GROUP ON BEHALF OF ALLIANCE?**

1 A. Through Commission directive, all South Dakota LECs are instructed to prepare
2 and file a company-specific intrastate switched access separations study pursuant
3 to Administrative Rules of South Dakota (ARSD) Chapters 20:10:27 to 20:10:29.
4 Martin Group developed an intrastate switched access separations study based on
5 the 2004 test year for Alliance utilizing the South Dakota Public Utilities
6 Commission's cost separations model which is based on ARSD Chapters
7 20:10:28 and 20:10:29. ARSD Chapters 20:10:28 and 20:10:29 reference the
8 Federal Communications Commission's 1991 version of Title 47 of Codified
9 Federal Regulation (CFR) Part 32 (Uniform System of Accounts for
10 Telecommunications Companies), Part 36 (Jurisdictional Separations Procedures)
11 and Part 69 (Access Charges).

12 **Q. CAN YOU PROVIDE A SUMMARY OF HOW ALLIANCE'S**
13 **INTRASTATE SWITCHED REVENUE REQUIREMENT WAS**
14 **DEVELOPED?**

15 A. See Exhibit 1. "Intrastate Revenue Requirement Flow Chart".

16 **Q. IN THE FCC PART 36 JURISDICTIONAL SEPARATIONS PROCESS**
17 **NOTED IN EXHIBIT 1, THE SUBSCRIBER INVESTMENT PORTION OF**
18 **CENTRAL OFFICE EQUIPMENT (COE) AND CABLE & WIRE**
19 **FACILITIES (C&WF) ARE ALLOCATED BASED ON THE**
20 **SUBSCRIBER PLANT FACTOR (SPF). WHAT IS INCLUDED IN**
21 **SUBSCRIBER INVESTMENT?**

22 A. Subscriber investment is the exchange fiber and copper facilities (local loop)
23 including the electronics (digital loop carrier, fiber in the loop electronics and/or

1 repeaters) required to transport traffic between the central office and the local
2 subscriber. This investment is used to provide multiple services including local
3 exchange service to the local subscriber and interexchange access service to the
4 IXC.

5 **Q. WHAT DO THE 1991 RULES SAY REGARDING ALLOCATION OF DSL**
6 **INVESTMENT AND LOCAL LOOP INVESTMENT USED TO DELIVER**
7 **MULTIPLE INTERSTATE REGULATED SERVICES?**

8 A. In 1991, the FCC had not yet issued a ruling on the treatment of DSL investment
9 in the separations study. The FCC addressed the local loop investment allocation
10 through the use of a Subscriber Plant Factor (SPF) of 25%. For interstate cost
11 studies, the amount of local loop investment allocated to interstate regulated
12 services including switched access service is 25% of the net investment. This
13 25% SPF was to cover the cost of all interstate regulated services using the local
14 loop.

15 **Q. HOW DOES MARTIN GROUP ACCOUNT FOR DSL INVESTMENT**
16 **AND LOCAL LOOP INVESTMENT IN THE INTRASTATE COST**
17 **STUDY SUBMITTED IN THIS DOCKET?**

18 A. Since Alliance has an FCC tariff on file through which they are offering DSL and
19 other interstate, regulated services Martin Group directly assigns the DSL
20 equipment to the interstate jurisdiction. Martin Group uses the interstate 25%
21 SPF to allocate local loop investment to intrastate switched access services. As
22 noted in the LECA / SDTA comments in RM 05-002, FCC 05-150 (DSL Order,
23 released in September 2005), Title II Common Carriers such as Alliance are to

1 treat DSL as a regulated interstate service. It also states that no adjustment to the
2 allocation of the local loop is necessary to account for the DSL service offering
3 (FCC 05-150, paragraphs 128, 130 and 139).

4 **Q. HOW DOES THE COST STUDY ACCOUNT FOR COSTS ASSOCIATED**
5 **WITH ALLIANCE'S LONG DISTANCE SERVICES AFFILIATE?**

6 A. Alliance directly assigns affiliate long distance carrier expenses to the
7 interstate/other jurisdiction in the switched access filing. The issues regarding
8 payment of access charges by the affiliate long distance carrier to Alliance have
9 been fully addressed and dismissed in favor of the South Dakota LECs in United
10 States District Court District of South Dakota Northern Division, CV 02-1028,
11 Opinion and Order on Defendants' Motion for Summary Judgment in S&S
12 Communications vs. Local Exchange Carriers Association, Inc., et al.

13 **Q. WILL USE OF 2004 TEST YEAR DATA FULLY COMPENSATE**
14 **ALLIANCE FOR ITS INTRASTATE SWITCHED ACCESS COSTS?**

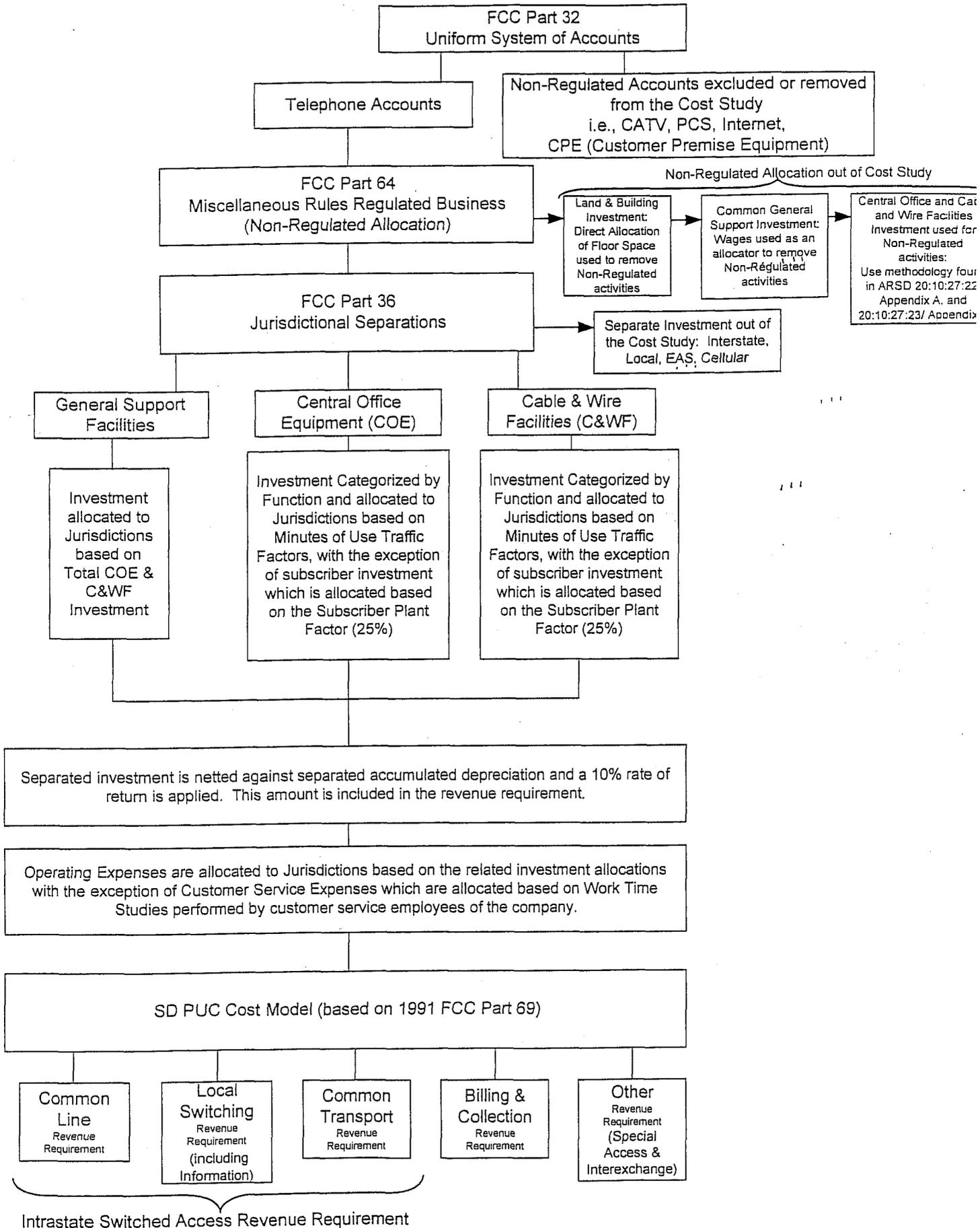
15 A. No. Requiring the use of historical demand in the rate development causes
16 substantial and recurring shortfalls between actual revenue received and the filed
17 revenue requirement due to the continued decline of access minutes over the past
18 several years for most South Dakota LECs, including Alliance. During the period
19 from test year 2003 to 2004 Alliance's state access minutes decreased by an
20 average of approximately 18%. Due to the fact that the cost study has not been
21 approved nor new LECA rates implemented, Alliance received approximately
22 73% of their revenue requirement through the LECA pooling process in calendar

1 year 2005. The situation continues to deteriorate due to lengthy delays in the
2 intrastate access rate approval process.

3 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

4 **A. Yes.**

Intrastate Revenue Requirement Flow Chart



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT OF LECs' 2005 SWITCHED ACCESS REVENUE REQUIREMENTS

CERTIFICATE OF SERVICE

ALLIANCE COMMUNICATIONS COOP., INC.	TC05-083
BROOKINGS MUNICIPAL TELEPHONE (SWIFTEL)	TC05-087
MIDSTATE COMMUNICATIONS	TC05-090
WESTERN TELEPHONE COMPANY	TC05-091
BERESFORD MUNICIPAL TELEPHONE COMPANY	TC05-092
ROBERTS COUNTY TELEPHONE COOPERATIVE	TC05-093
McCOOK COOPERATIVE TELEPHONE	TC05-094
KENNEBEC TELEPHONE COMPANY	TC05-095
WEST RIVER TELECOMMUNICATIONS COOPERATIVE	TC05-109

CERTIFICATE OF SERVICE

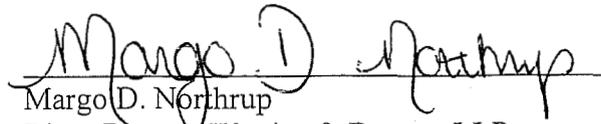
I hereby certify that a true and correct copy of the Direct Testimony of Christy Miedema, Ann Kuyper, Tim Eklund and Jonas O. Karlsson was served in each of the above dockets via the method(s) indicated below, on the 21st day July, 2006, addressed to:

Karen Cremer, Staff Attorney	()	First Class Mail
South Dakota Public Utilities Commission	(X)	Hand Delivery
500 East Capitol Avenue	()	Facsimile
Pierre, South Dakota 57501	()	Overnight Delivery
	()	E-Mail

David A. Gerdes	()	First Class Mail
Brett M. Koenecke	(X)	Hand Delivery
May, Adam, Gerdes & Thompson	()	Facsimile
P. O. Box 160	()	Overnight Delivery
Pierre, South Dakota 57501	()	E-Mail

William M. Van Camp, Jr.	()	First Class Mail
Olinger, Lovald, McCahren & Reimers	(X)	Hand Delivery
Box 66	()	Facsimile
Pierre, South Dakota 57501	()	Overnight Delivery
	()	E-Mail

Dated this 21st day of July, 2006.

A handwritten signature in black ink that reads "Margo D. Northrup". The signature is written in a cursive style and is positioned above a horizontal line.

Margo D. Northrup
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