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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

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. TC05-087

City of Brookings Municipal Telephone Department )

**Direct Testimony of Ann Kuyper**

**July 19, 2006**

**DIRECT PRE-FILED TESTIMONY OF ANN KUYPER**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Ann Kuyper. 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 from South Dakota State University with a Master of Science degree in Economics in 1984. I was employed as a Business Manager with a 120+ employee organization from 1986 – 1998. Duties included overseeing the preparation of annual cost studies for rate development purposes. I became employed by Martin Group in 1998 and in my position as Carrier Consultant have prepared numerous cost separation studies for the interstate and intrastate jurisdictions. I have completed the cost separations study for City of Brookings Municipal Telephone Department (City of Brookings) for the test years of 1998, 2001, 2003, 2004, and 2005. In addition I have completed special studies as requested by City of Brookings including the 2002 USF Disaggregation Study, interstate 61.39 tariff filings, interstate cost feasibility studies and annual interstate line haul updates for average schedule settlements.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. Martin Group has been retained by City of Brookings to develop and file its 2004 Intrastate Switched Access Separations Study. The purpose of my testimony is to

1 outline the methodology used in arriving at the intrastate access revenue  
2 requirement submitted on August 16, 2005 to the South Dakota PUC by City of  
3 Brookings in this docket. The intrastate revenue requirement arrived at in this  
4 study is used to develop intrastate switched access rates which exchange carriers,  
5 such as City of Brookings, 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 City of Brookings, for access to  
9 customers in the LEC's exchange area. Switched access charges reimburse the  
10 LEC for facilities used by the IXC to reach customers originating and terminating  
11 these long 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 City of Brookings in this filing was  
23 established in South Dakota Public Utilities Commission Docket #TC93-086 "In

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

3 **Q. WHAT ACCESS RATES DOES CITY OF BROOKINGS CHARGE THE**  
4 **IXCs?**

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

10 **Q. HOW ARE LECA'S ACCESS RATES DETERMINED?**

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

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

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 City of Brookings utilizing the South Dakota Public  
6 Utilities 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 BROOKINGS'**  
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  
24 repeaters) required to transport traffic between the central office and the local

1 subscriber. This investment is used to provide multiple services including local  
2 exchange service to the local subscriber and interexchange access service to the  
3 IXC.

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

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

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

17 A. Since City of Brookings has an FCC tariff on file through which they are offering  
18 DSL and other interstate, regulated services Martin Group directly assigns the  
19 DSL equipment to the interstate jurisdiction. Martin Group uses the interstate  
20 25% SPF to allocate local loop investment to intrastate switched access services.  
21 As noted in the LECA / SDTA comments in RM 05-002, FCC 05-150 (DSL  
22 Order released in September 2005), Title II Common Carriers such as City of  
23 Brookings are to treat DSL as a regulated interstate service. It also states that no

1 adjustment to the allocation of the local loop is necessary to account for the DSL  
2 service offering (FCC 05-150, paragraphs 128, 130 and 139).

3 **Q. HOW DOES THE COST STUDY ACCOUNT FOR COSTS ASSOCIATED**  
4 **WITH CITY OF BROOKINGS' LONG DISTANCE SERVICES**  
5 **AFFILIATE?**

6 A. City of Brookings 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 City of  
9 Brookings have been fully addressed and dismissed in favor of the South Dakota  
10 LECs in United States District Court District of South Dakota Northern Division,  
11 CV 02-1028, Opinion and Order on Defendants' Motion for Summary Judgment  
12 in S&S Communications vs. Local Exchange Carriers Association, Inc., et al.

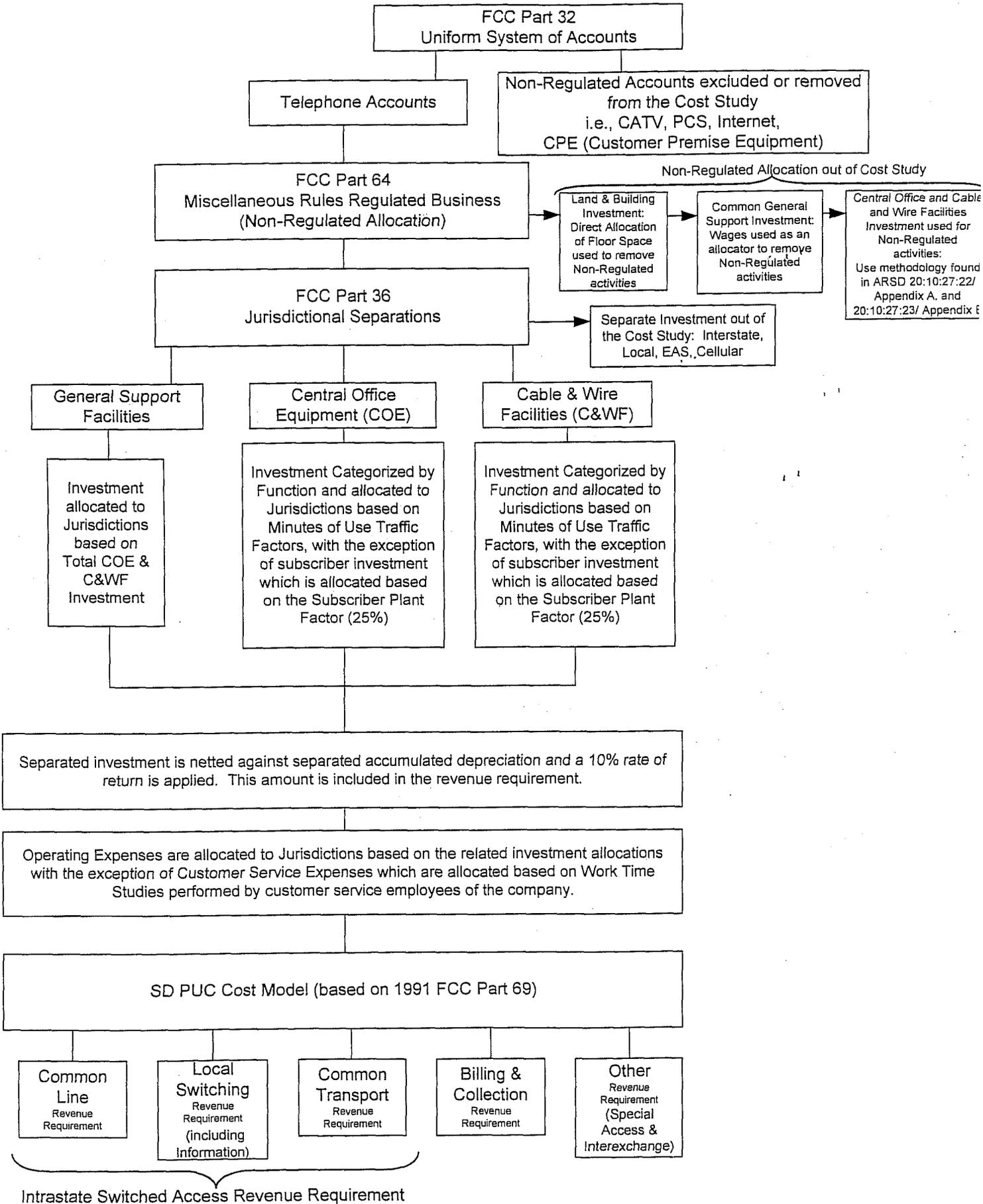
13 **Q. WILL USE OF 2004 TEST YEAR DATA FULLY COMPENSATE CITY**  
14 **OF BROOKINGS FOR ITS INTRASTATE SWITCHED ACCESS COSTS?**

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 City of Brookings. During  
19 the period from test year 2003 to 2004 City of Brookings's state access minutes  
20 decreased by an average of approximately 25%. Due to the fact that the cost  
21 study has not been approved nor new LECA rates implemented, City of  
22 Brookings received approximately 45% of their revenue requirement through the  
23 LECA pooling process in calendar year 2005. The situation continues to  
24 deteriorate due to lengthy delays in the intrastate access rate approval process.

1 Q. DOES THIS COMPLETE YOUR TESTIMONY?

2 A. Yes.

# Intrastate Revenue Requirement Flow Chart



Intrastate Switched Access Revenue Requirement

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

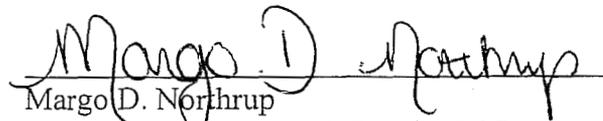
I hereby certify that a true and correct copy of the Direct Testimony of Christy Miedema, Ann Kuyper, Tim Eklund and Jonas O. Karlsson was served in each of the above dockets via the method(s) indicated below, on the 21<sup>st</sup> day July, 2006, addressed to:

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 21<sup>st</sup> day of July, 2006.

A handwritten signature in black ink that reads "Margo D. Northrup". The signature is written in a cursive style with a horizontal line drawn through the middle of the text.

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