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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

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In the Matter of the Petition of Kadoka  
Telephone Company for Suspension or  
Modification of 47 USC Section 251(b)(2)  
of the Communications Act of 1934 as  
Amended

Docket No. TC08-016

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DIRECT PRE-FILED TESTIMONY OF

DENNY LAW

July 15, 2008

1 **Q: What is your name and address?**

2 A: My name is Denny Law. My business address is 525 E. Fourth Street, P.O. Box  
3 98, Dell Rapids, SD, 57022. My business telephone number is 605-428-5421.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am the Eastern Regional Manager of Kadoka Telephone Company, d/b/a Golden  
6 West Telecommunications (Kadoka). Kadoka is a rural independent local  
7 exchange carrier that provides local exchange, exchange access and other  
8 telecommunications services to 521 access lines, including an average of 16  
9 “lifeline” access lines. Kadoka’s service area includes the exchange of Kadoka.

10 **Q: Does your company have any direct points of interconnection with any**  
11 **wireless carrier?**

12 A: Yes. There is a direct connection between Kadoka and Verizon in the Kadoka  
13 exchange.

14 **Q: How would you describe the service area and local calling area of your**  
15 **exchanges, as compared to those of the wireless carriers operating in your**  
16 **area?**

17 A: Kadoka has only one exchange. Our service area is defined by the boundaries of  
18 our exchange, and where we have physical cable plant. The wireless carriers, on  
19 the other hand, serve areas licensed by the FCC and by the reach of a radio  
20 frequency transmission from a tower site, which makes their wireless local calling  
21 area much larger than our exchange boundaries. The boundary of our wireline  
22 rate center and the local calling areas of wireless carriers serving in our area vary  
23 greatly.

1 **Q: How does Kadoka route calls from its subscribers' landline phones to**  
2 **wireless carrier subscribers?**

3 A: If a wireless number is local to one of Kadoka's calling areas or EAS area and the  
4 wireless carrier has a direct connection to Kadoka, the call is routed over the  
5 trunks associated with that direct connection. For example, a Verizon wireless  
6 number that is local to the Kadoka calling area would be routed over the trunks  
7 associated with Verizon's direct connection at Kadoka. In all other cases, when a  
8 subscriber located in the Kadoka calling areas use his or her landline phone to call  
9 a wireless phone number, the subscriber must dial a ten-digit phone number; the  
10 call is routed from the subscriber's landline phone to the Kadoka central office  
11 switch, where it is determined to be a non-local call; and the call is switched to a  
12 toll trunk group. The toll trunk carries the call to SDN Communication's  
13 Centralized Equal Access (CEA) tandem, which is located in Sioux Falls, to be  
14 routed to the appropriate Point of Interconnection of the wireless carrier.

15 **Q: What is the number of wireless carriers authorized to serve in your**  
16 **company's service area?**

17 A: To my knowledge, two wireless carriers are currently providing service in  
18 Kadoka's local exchange area. However, there are a significant number of other  
19 parties who own wireless spectrum covering the Kadoka exchange area who may  
20 offer service in the future.

21 **Q: Have any subscribers requested local number portability (LNP) from your**  
22 **company?**

1 A: To my knowledge, not a single Kadoka subscriber has requested local number  
2 portability from Kadoka.

3 **Q: Have any subscribers ever inquired whether the company could port a**  
4 **number to a VoIP provider or have any carriers requested LNP in**  
5 **connection with service to a VoIP provider?**

6 A: Not to my knowledge.

7 **Q: Has the lack of LNP had an impact on wireless service?**

8 A: Even during the past few years when Kadoka has had a suspension of intermodal  
9 LNP, the number of people who have wireless service has continued to grow  
10 throughout the country and in South Dakota. Therefore, I believe there has been  
11 no impact on wireless service or competition.

12 **Q: Mr. Davis' testimony addresses the cost of transport associated with**  
13 **intermodal and VoIP LNP. Are there other costs?**

14 A: Yes. Kadoka would have to take a number of actions and incur various costs to  
15 be able to port numbers. These costs are outlined in Exhibit 2 to Mr. Davis' direct  
16 testimony.

17 **Q: If there is no demand for intermodal LNP and Kadoka must incur costs to**  
18 **implement LNP, including, possibly, transport costs, why didn't you request**  
19 **a total suspension of LNP like you did before?**

20 A: For a couple of reasons. First, since the first and second LNP cases, Kadoka has  
21 upgraded its switch, and other cost elements associated with LNP have been  
22 reduced, such that the cost of implementing LNP (other than transport) have

1           fallen. Second, Kadoka's Petition, in essence, is a compromise to the wireless  
2           carriers. Although Kadoka believes there is no demand for intermodal LNP, some  
3           wireless carriers apparently feel it is useful to their business. Rather than ask for a  
4           total suspension, Kadoka will incur the cost of implementing LNP. Kadoka  
5           merely asks that it not be required to pay for transport.

6   **Q:    Are there other reasons you filed this Petition?**

7   A:    Yes. There are two wireless carriers currently providing service in Kadoka's  
8           local exchange area, and any additional licensed carrier could start operations at  
9           any time. Further, as a result of the latest FCC decision, Kadoka may be required  
10          to provide LNP in connection with service to VoIP providers. At this time,  
11          Kadoka does not know who or how many VoIP providers may be involved.  
12          Kadoka has no arrangements in place that would allow for the transport of traffic  
13          to numbers ported from Kadoka to any of these entities. Further, because Kadoka  
14          has no arrangements with these carriers, it cannot transport traffic to numbers  
15          ported from Verizon or Alltel to any of these other entities.

16   **Q.    Why do you believe it is appropriate for the wireless carriers to pay for the**  
17          **cost of transport?**

18   A.    Because, in the first instance, it is the wireless carrier who makes the decision  
19          whether to pursue direct or indirect connection with the ILEC. It also is the  
20          wireless carrier that, in the first instance, either pursues a point of interconnection  
21          within the LEC's service territory or not. Further, it appears to be the position of  
22          Alltel and Verizon that the point of interconnection and direct versus indirect  
23          interconnection is within their discretion, although Kadoka does not agree with

1 this position. Therefore, whether there will be any cost of transport and what the  
2 transport cost will be is largely controlled, at least in the first instance, by the  
3 wireless carriers.

4 For example, Mr. Davis' exhibit concerning the cost of transport (attached to his  
5 Direct Testimony) bases the costs on transporting traffic to Sioux Falls. It is my  
6 understanding, however, that Sprint and Alltel have said they have the right to  
7 require the transport of traffic to any point in the LATA, which is almost any  
8 point in South Dakota. If wireless carriers should some day decide that it makes  
9 more sense for their traffic to go to some other point in the LATA, the cost of  
10 transport could be a lot more than what Mr. Davis modeled. And, if they make  
11 that decision for their own business purposes, they should be willing to pay for it.

12 **Q: Do you have concerns with this Commission requiring Kadoka to incur**  
13 **transport obligations that extend beyond its current rural service area?**

14 **A:** Yes. Other than limited EAS facilities, Kadoka does not have facilities to  
15 transport local calls outside of its service area. Generally, I believe that requiring  
16 a small rural company such as Kadoka to incur additional transport costs related  
17 to facilities to transport local calls beyond its current local network and its service  
18 area would impose a competitive disadvantage on Kadoka and also make it more  
19 difficult in the future to achieve universal service. I believe it must be recognized  
20 that Kadoka, as a small rural carrier with a service area limited to only a portion  
21 of South Dakota, does not have telecommunications facilities extending  
22 throughout the LATA or MTA. This is in contrast to the larger wireless carriers  
23 such as Verizon and Alltel which, with their telecommunications networks, do

1 reach most of this State. I find it hard to understand why Kadoka should have to  
2 incur additional costs associated with transport facilities to transport local calls  
3 outside of its rural service area in order to make things more efficient for certain  
4 wireless carriers who have much larger networks and many more customers.  
5 Moreover, the challenges of maintaining affordable and universal telephone  
6 service are already substantial for Kadoka and shifting additional transport  
7 responsibilities to rural carriers and customers for transport services to locations  
8 far removed from Kadoka's existing rural service would be a step in the wrong  
9 direction.

10 **Q: Does the recently announced merger between Alltel and Verizon have any**  
11 **impact on this proceeding and the cost of transport?**

12 A: Yes. This merger may impact the cost of transport. Verizon and Alltel currently  
13 operate as two separate entities in Kadoka's service area. If one of the operations  
14 is sold as a result of the merger, then the new carrier may interconnect with  
15 Kadoka in a different manner or at a different location, which would impact the  
16 cost of transport. Also, the newly merged Verizon and Alltel could decide to  
17 interconnect differently. As the Verizon/Alltel merger is expected to close by  
18 December 31, 2008, it may make sense to continue the total suspension of  
19 intermodal LNP until after the merger.

20 **Q: What will be the impact on Kadoka and its customers if its Petition is not**  
21 **granted?**

22 A: As stated, implementing LNP will impose costs on Kadoka and its subscribers.  
23 The cost of paying for transport will impose an additional burden on Kadoka and

1 its subscribers. Depending on the point of interconnection, the cost of transport  
2 may be substantial; and our subscribers have not requested this service. There is  
3 little, if any, demand for intermodal or VoIP LNP in our service area. Little or no  
4 demand means that the cost of transport imposes a significant adverse economic  
5 impact on users and an unduly economically burdensome requirement on the  
6 company and subscribers. Further, the vast majority of our customers will have to  
7 pay for those few, if any, who decide to port their numbers. It is a very poor  
8 bargain for the majority of our customers.

9 **Q: Do you expect the implementation of LNP to result in an increase in**  
10 **customer's rates?**

11 A: It is not known at this time whether Kadoka will impose an LNP surcharge on its  
12 subscribers to recover the costs of implementing LNP, other than transport. With  
13 respect to the cost of transport, it is my understanding that Kadoka may not be  
14 allowed to recover the costs associated with transport of ported calls through the  
15 LNP surcharge. To the extent this is correct, Kadoka may be forced to increase  
16 local rates or curtail services or investment in the network. For example, its  
17 investment in broadband or other network improvements and in the services it is  
18 able to provide to customers may be delayed or reduced. If the cost of transport is  
19 recovered through local rate increases, some segment of subscribers may  
20 discontinue service or decrease the number of lines to which they subscribe,  
21 which would further increase the per-subscriber cost of transport.

22 **Q: What do you expect the general reaction of your customers to be if there are**  
23 **new LNP charges or rate increases associated with LNP and transport costs?**



1 A: I would expect the reaction to be negative. Since the vast majority of our  
2 customers will gain no benefit from intermodal LNP or VoIP LNP, I expect  
3 protests if they must pay a cost for a service they do not want and for which they  
4 receive no benefit. It is not in the Kadoka's or its customers' best interests for the  
5 large majority of our customers to be required to pay for a mandated service that  
6 will benefit few if any of our customers.

7 **Q: Does intermodal and VoIP LNP impose any other burdens on the company**  
8 **and subscribers?**

9 A: Yes. Wireline to wireless porting under current routing protocols would impose  
10 an unduly economically burdensome requirement by making the network less  
11 efficient and by confusing customers. Currently, for calls from a subscriber of  
12 Kadoka to a wireless carrier, Kadoka does not carry local traffic to a point of  
13 interconnection beyond Kadoka's local calling area (or EAS area). Therefore, if  
14 intermodal LNP is implemented before the transport issue has been resolved with  
15 all wireless carriers, end users who continue to dial a ported number on a seven-  
16 digit basis may receive a message that the call cannot be completed as dialed, or a  
17 message instructing the party to redial using 1+ the area code. Thus, callers  
18 would have to dial twice, with the resulting network use, to place one call. It  
19 appears these issues also may be associated with calls to numbers ported to VoIP  
20 providers.

21 **Q: As Kadoka is not LNP capable, can Kadoka correctly route calls to a number**  
22 **ported from one wireless carrier to another?**

23 A: No.

1 **Q: In your Petition, you stated Kadoka would contact wireless carriers and**  
2 **attempt to negotiate a resolution of routing and transport issues. Has**  
3 **Kadoka done so?**

4 A: Yes. Kadoka has contacted intervening wireless carriers and attempted to  
5 negotiate a solution to the transport/routing issues. The parties have not yet been  
6 successful in negotiating a settlement, but Kadoka is committed to continue  
7 negotiations with wireless carriers to reach a resolution of these outstanding  
8 issues.

9 **Q: Does this conclude your direct testimony?**

10 A: Yes, although I reserve the opportunity to revise or modify this pre-filed direct  
11 testimony at or before the hearing if I receive additional information pertaining to  
12 the issues I presented herein.

Certificate of Service

The undersigned, attorney for Petitioner hereby certifies that a true and correct copy of Prefiled Testimony of Denny Law and Pre-filed Testimony and Confidential Exhibits of Dan Davis was sent electronically on this 15th day of July, 2008, upon:

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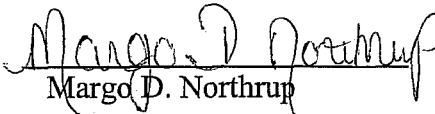
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