BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PETITION OF BROOKINGS MUNICIAPL UTILITIES D/B/A/ SWIFTEL COMMUNICATIONS FOR SUSPENSION OR MODIFICATION OF 47 U.S.C. SECTION 251(b)(2) OF THE COMMUNICATIONS ACT OF 1934 AS AMENDED PURSUANT TO THE TELECOMMUNICATIONS ACT OF 1996	Docket No. TC08-017

Direct Testimony of Peter C. Rasmusson

On Behalf of Brookings Municipal Utilities D/B/A Swiftel Communications

July 15, 2008

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Peter C. Rasmusson. My business address is 1515 North Sanborn Blvd., Mitchell, SD 57301. My occupation/title is President, Telecommunications Consulting and Engineering for Martin Group, Inc.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. I received a Bachelor of Science degree in Civil Engineering from Iowa State University. I currently manage the engineering, consulting and regulatory business for Martin Group, Inc., a telecommunications software, consulting, and engineering firm. In this position during the past six years, I have supervised and reviewed the development of many different types of cost studies, feasibility studies, business plans and transport and termination studies including:

- Intrastate and interstate access cost studies for companies including Swiftel and several other ILECs in South Dakota, Iowa, Ohio, Washington and Indiana;
- Business plans for regional fiber networks in New York, Nebraska, California and Alabama;
- NECA average schedule to cost conversion feasibility studies;
- NECA average schedule filings;
- Collection and analysis of traffic data
- LECA intrastate access rate development and pool administration;
- Transport and termination rate development for Swiftel in this docket.

Martin Group has extensive knowledge of Swiftel's operations and finances due

to the wide variety of consulting projects and cost studies we have completed for them during the past twenty years.

Prior to joining Martin Group I was employed for seven years as President and General Manager for Sioux Valley Telephone Company and Hills Telephone Company, two independent local exchange carriers with operations in South Dakota, Minnesota and Iowa. As President and General Manager of Sioux Valley Telephone Company, I had the overall responsibility to develop its intrastate access rate in accordance with SDPUC rules and to file NECA average schedule forms and reports. As part of my duties for Sioux Valley and Hills Telephone Companies, I also served on the Board of Directors for Express Communications, a South Dakota-based long distance carrier; the Local Exchange Carrier Association (LECA), a South Dakota access charge pooling association; FiberNet, an Iowa-based regional transport network; and Fiber Comm, an Iowa-based competitive local exchange carrier.

Q. ON WHOSE BEHALF WAS THIS TESTIMONY PREPARED?

A. This testimony was prepared on behalf of Brookings Municipal Utilities d/b/a Swiftel Communications (Swiftel). Swiftel is the incumbent local exchange carrier (ILEC) that is franchised to serve the telephone customers within the municipal boundaries of the City of Brookings, SD.

Q. IN WHAT CAPACITY ARE YOU TESTIFYING?

A. I am here to explain the development of Swiftel's Exhibits 2 and 3, supporting its request for suspension or modification of number portability obligations.

Q. WHAT IS THE PURPOSE OF EXHIBITS 2 and 3?

A. Exhibits 2 and 3 summarize the nonrecurring and monthly recurring charges to

transport calls outside Swiftel's local calling area when implementing local number portability (LNP).

Q. HOW WAS EXHIBIT 2 DEVELOPED?

A. Based on NECA Tariff No. 5 special access pricing, Exhibit 2 is the cost to transport local calls to a Sprint Point of Presence (POP) outside Swiftel's local calling area. The assumed POP location is in Sioux Falls, SD.

Q. CAN YOU PROVIDE A SUMMARY OF THE RESULTS IN EXHIBIT 2?

A. Yes, the impact of transporting calls to Sprint for intermodal LNP, when the traffic exchange occurs outside Swiftel's existing exchange boundary, shown in Exhibit 2 is $0.25 per line per month, assuming a five year amortization of non-recurring charges (NRC).

Q. WHY DID YOU ASSUME A SIOUX FALLS, SD POP LOCATION?

A. Sprint's interconnection request identified this location for Sprint's facilities in TC06-176 (an arbitration petition docket involving Swiftel and Sprint).

Q. WHY DID MARTIN GROUP USE THE NECA TARIFF NO. 5 TO DEVELOP THE TRANSPORT COSTS IN EXHIBIT 2?

A. Swiftel was a member of the NECA pool for interstate special access when Exhibit 2 was developed. This subject is discussed further later in my testimony. In addition, NECA special access rates were used in a similar interconnection decision in Iowa (IUB Order 032406_arb052), in 2006, and yield lower costs than Swiftel's intrastate special access rates. Accordingly, the NECA rate is a reasonable proxy for the rate applicable to transport costs.

Q. PLEASE DESCRIBE A DS1 AND STATE WHY MARTIN GROUP USES 2 DS1s TO DEVELOP THE TRANSPORT COSTS IN EXHIBIT 2?

A. A DS1 is a dedicated point-to-point circuit representing 24 voice grade channels. Two DS1s were used in order to provide full redundancy of the circuit,

Q. HOW DID MARTIN GROUP DEVELOP THE NUMBER OF ACCESS LINES USED IN EXHIBIT 2?

A. In accordance with FCC §52.33 (for lifeline access line removal) and NECA guidelines. (for annual access line losses), Martin Group calculated Swiftel's forward-looking, five-year, total access line count starting with Swiftel's total access lines as of the 12/31/07 Interstate Common Line Support (ICLS) filing, less lifeline access lines. The lifeline access lines are identified as a separate line item on the NECA ICLS data collection form. The line count is reduced by 3% annually for the five years ending 12/31/08 through 12/31/12. The calculation yielded the five year average access line count of 11,041 used in Exhibits 2 and 3.

Q. IN DETAIL, HOW IS NECA TARIFF NO. 5 USED TO CALCULATE THE RATE FOR A SINGLE DS1 TRANSPORT FACILITY FROM BROOKINGS, SD TO SIOUX FALLS, SD IN EXHIBIT 2?

A. The NECA tariff specifies the NRC and MRC (monthly recurring charges) for special access DS1s. For Exhibits 2 and 3, Martin Group used the NECA tariff dated July 1, 2006. This rate development is discussed again later in my testimony. For the NRC of special access DS1s, the NECA tariff prices the circuits based on two rate elements:

1. Installation of Channel Termination – this element recovers the labor and material costs to install and provision the equipment in the Sioux Falls

central office. As shown on page 17-26 of the tariff, the cost for this element is $349.00 per termination or DS1.

2. Access Order Charge – this element recovers the labor costs of processing the order for the DS1. As shown on page 17-30 of the tariff, the cost of this element is $93.00 per order.

For the MRC of special access DS1s, the NECA tariff prices the circuits based on rate bands and three rate elements:

1. Channel Terminations – this element recovers the cost of the transport electronics in the Sioux Falls central office to the Sprint POP location in Sioux Falls. This is often referred to as the local loop cost. As shown on page 17-26 of the tariff, the cost for this element is $165.17 per termination in rate band two (the rate band applicable to Swiftel).
2. Channel Mileage Termination – this element recovers the cost of transport electronics on each end of the circuit. As shown on page 17-27 of the tariff, the cost for this element is $88.16 per termination in rate band two (the rate band applicable to Swiftel). There are two terminations required for each DS1– one in Brookings and one in Sioux Falls.
3. Channel Mileage Facility – this element recovers the cost of the cable connecting the transport electronics on each end of the circuit. The mileage is calculated based on airline miles between the end points of the circuit, and not actual cable route miles. As shown on page 17-26 of the tariff, the cost for this element is $17.88 per airline mile in rate band two (the rate band applicable to Swiftel). As calculated from the V&H coordinates in NECA Tariff #4, the airline miles between the two central offices are approximately

53 miles. For the route miles between Brookings and Sioux Falls, the cost is $17.88 x 53 miles = $947.64 per DS1.

In summary, Exhibit 2 shows that the NRC for two DS1s is $791.00 and the MRC for two DS1s is $2,578.

Q. WHAT IS THE PURPOSE OF EXHIBIT 3?

A. Exhibit 3 summarizes the NRC and MRC for six transport DS1s.

Q. WHY DOES EXHIBIT 3 USE THE COST FOR 6 DS1s?

A. Exhibit 3 estimates the transport cost to implement intermodal portability for each of the three cellular providers operating in Swiftel's local calling area, Verizon, Alltel, and Sprint. The assumed POP location for each of the three providers is Sioux Falls. For redundant routing purposes, it is assumed each provider would require 2 DS-1s for a total of 6.

Q. WHAT WOULD THE IMPACT BE IF SWIFTEL'S MOST CURRENT INTERSTATE SPECIAL ACCESS RATES (RATES EFFECTIVE JULY 1, 2008) WERE USED TO DEVELOP TRANSPORT COSTS?

A. The cost of transport for one wireless carrier would increase from $.25 to $.28 while the cost of transport for Sprint, Verizon, and Alltel traffic would increase from $.72 to $.80 per month.

Q. WHAT WOULD THE IMPACT BE IF A CARRIER SELECTED A DIFFERENT LOCATION FOR TRANSPORT OF LNP TRAFFIC?

A. Since most of South Dakota is in a single LATA, Sprint contends that it could select interconnection at virtually any point in the state. Our analysis using Sioux Falls is a low cost location in the state because the transport cost is predominantly dependent on the airline miles from Brookings to Sioux Falls. If

a carrier were to select Aberdeen or Rapid City, the transport costs for Sprint, Verizon and Alltel would increase to approximately $1.47 and $3.70, per access line, per month respectively.

Q: DO THE PER ACCESS LINE INTERMODAL LNP TRANSPORT COST ESTIMATES INCLUDE ALL OF THE POTENTIAL CMRS OR OTHER ENTITIES?

A: No they do not. The Intermodal LNP implementation transport cost estimates provided in the exhibits address only the primary carriers that are known to be operating in Swiftel's service area. If other entities enter Swiftel's geographical market including CMRS (PCS, 700 MHz, etc.) or VoIP providers that are not carriers, and require Swiftel to establish transport, the overall LNP related transport costs will very likely increase.

Q. DO THESE COSTS SUPPORT SWIFTEL'S PETITION?

A. Yes. The LNP costs shown in Exhibits 2 and 3 range from $0.25 per month per line to $.72 per month per line. As shown in Exhibits 2, and 3, Swiftel's expenses would increase, without a corresponding revenue increase, in the range of $30,936 to $92,820 annually plus $791 to $2,187 in the first year for NRC.

I believe the cost estimates support Swiftel's petition because the expenses associated with the cost of transport outside the local calling area would impose a requirement that is unduly economically burdensome to Swiftel and its customers and they would impose a significant adverse economic impact on users of telecommunications services generally.

Q: **ARE THERE OTHER COSTS TO PETITIONER IN CONNECTION WITH LNP?**

A: Yes. In addition to the transport costs that are anticipated in connection with Intermodal LNP, the Petitioner will incur other costs for the implementation of LNP such as switch translations, technical implementation, monthly recurring LNP database dip fees, Service Order Administration (SOA) fees, and other operational costs. As shown on Confidential PCR Exhibit 1, the cost to implement LNP (excluding transport) is estimated at $102,000 (Non-recurring) and $2,175 per month (Recurring). On a per Access Line allocation, this is $.35 per month, per Access Line.

Q: **DIDN'T THE WIRELESS CARRIERS INCUR COSTS TO IMPLEMENT LNP?**

A: Yes. But there are three important differences. First, as stated before, the wireless carriers have many more subscribers over which to spread the cost of LNP. Second, the wireless carriers can benefit from intermodal LNP by porting numbers (and customers) from the wireline carrier. However, Swiftel may not benefit from intermodal LNP because current intermodal LNP rules do not allow wireless subscribers to port to wireline if the rate centers do not match. Third the wireless carriers were required to implement LNP to provide intramodal (wireless to wireless) LNP and to provide LNP in major markets (Qwest territory). It is my understanding that the CMRS carriers will not incur significant additional costs to require LNP from Swiftel.

Q: DOES THE LACK OF INTERMODAL LNP HAVE ANY APPARENT EFFECT ON THE DECISION OF CUSTOMERS TO PURCHASE WIRELESS SERVICE IN SOUTH DAKOTA?

A: There does not appear to be any evidence that the lack of Intermodal LNP has had a negative effect on the CMRS carrier's ability to compete in South Dakota. On the contrary, reports submitted for inclusion in the Universal Service Administration Company (USAC) reports show that even though the Commission granted a suspension of LNP in 2004 and many rural LECs in South Dakota have not implemented LNP, the number of consumers subscribing to wireless service in SD and in rural ILEC service territory has grown significantly and continues to increase.[1] While the Petitioner does not have wireless subscriber estimates specific to their service territory, it is likely that the wireless subscriber growth rates in the Petitioner's service area mirror the South Dakota ILEC wireless subscriber growth estimates derived from the USAC reports.

Q: SWIFTEL HAS REQUESTED 90 DAYS TO IMPLEMENT LNP. IS THIS A REASONABLE TIMEFRAME?

A: Yes. Among the steps Swiftel will need to take to implement LNP, Swiftel would be required to make Telcordia Local Exchange Routing Guide (LERG) changes to the NPA-NXXs in their network that are not already marked as "portable" with the applicable Local Routing Number (LRN). The standard interval for this type change is typically 66 days[2]. After the NPA-NXX is assigned as "portable", the Petitioner will need time to coordinate implementation and testing of Intermodal LNP porting in their network. In light of scheduling, holidays and other unforeseen delays, I believe this is a reasonable time frame.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

[1] See USAC's High Cost Loop Projected by State Study Area (USAC Appendix HC05) and the USAC CETC Reported Lines by Incumbent Study Area – Interstate Access Support (USAC Appendix HC020).

A. Yes it does.

[2] Per Section 6.1.2 of ATIS-0300051 – Central Office Code (NXX) Assignment Guidelines (COCAG) Final Document issued January 18, 2008. Pages 21-22

Direct Testimony of Peter Rasmusson

Exhibit 1

Filed as

CONFIDENTIAL

BROOKINGS MUNICIPAL UTILITIES (D.B.A SWIFTEL COMMUNICATIONS, INC.)

ESTIMATED COSTS TO IMPLEMENT INTERMODAL LOCAL NUMBER PORTABILITY
INCLUDES TRANSPORT COSTS TO SPRINT IN SIOUX FALLS

Estimated DS1s 2

		Non-Recurring	Monthly Recurring
Transport Costs			
	Facility Termination Expense	$ -	$ 353
	Facility Expense	$ -	$ 1,895
	Channel Termination	$ -	$ 330
	Access Order & Installation Charges	$ 791	$ -
	Subtotal	**$ 791**	**$ 2,578**

Total Estimated Costs Associated Sioux Falls POP	**$ 791**	**$ 2,578**
Access Lines*	**11,041**	**11,041**
Total Estimated Costs Per Access Line (Rounded), Per Month Assuming 5 Year Return For Non-Recurring Costs	**$ 0.01**	**$ 0.24**

*Per FCC § 52.33 (Recovery of carrier-specific costs directly related to providing long-term number portability) rules regarding number portability charges, lines receiving the lifeline discount are removed. The remaining lines represent an average of annual access line counts over a five year period assuming an annual decrease of 3%.

BROOKINGS MUNICIPAL UTILITIES (D.B.A SWIFTEL COMMUNICATIONS, INC.)

ESTIMATED COSTS TO IMPLEMENT INTERMODAL LOCAL NUMBER PORTABILITY
INCLUDES TRANSPORT COSTS TO SIOUX FALLS (VERIZON, ALLTEL, AND SPRINT)

Estimated DS1s 6

	Non-Recurring	Monthly Recurring
Transport Costs (see exhibit 2B)		
Facility Termination Expense	$ -	$ 1,058
Facility Expense	$ -	$ 5,686
Channel Termination	$ -	$ 991
Access Order & Installation Charges	$ 2,187	$ -
Subtotal	**$ 2,187**	**$ 7,735**

Total Estimated Costs Associated Sioux Falls POP	**$ 2,187**	**$ 7,735**
Access Lines*	**11,041**	**11,041**
Total Estimated Costs Per Access Line (Rounded), Per Month Assuming 5 Year Return For Non-Recurring Costs	**$ 0.01**	**$ 0.71**

*Per FCC § 52.33 (Recovery of carrier-specific costs directly related to providing long-term number portability) rules regarding number portability charges, lines receiving the lifeline discount are removed. The remaining lines represent an average of annual access line counts over a five year period assuming an annual decrease of 3%.