
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Petition of Valley
Telecommunications Cooperative
Association, Inc. for Suspension or
Modification of 47 USC Section 251(b)(2)
of the Communications Act of 1934 as
Amended

Docket No. TC08-022

DIRECT PRE-FILED TESTIMONY OF
JOHN TORMOEHLEN

July 15, 2008

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

2 A: My name is John Tormoehlen of Valley Telecommunications Cooperative Association,
3 Inc. Our address is PO Box 7, Herreid, South Dakota 57632. Our telephone number is
4 605-437-2615.

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

6 A: I am the General Manager of Valley Telecommunications Cooperative Association, Inc.
7 (Valley). Valley is a rural independent local exchange carrier that provides local
8 exchange, exchange access and other telecommunications services to 3,351 access lines,
9 including 121 "lifeline" access lines within its service area, which includes the exchanges
10 of Herreid, Pollock, Mound City, Glenham, Eureka, Hosmer, Leola, Long Lake &
11 Ipswich.

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

14 A: Yes. There is a direct connection between Valley and Verizon in the Glenham exchange.

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

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

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

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

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

17 A: To my knowledge, there are three (3) wireless carriers providing service in Valley's local
18 exchange area - Verizon, Alltel, RCC.

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

21 A: To my knowledge, not a single Valley subscriber has requested local number portability
22 from Valley.

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

4 A: Not to my knowledge.

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

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

10 **Q: Valley's Petition addresses the cost of transport associated with intermodal and**
11 **VoIP LNP. Are there other costs?**

12 A: Yes. Valley would have to take a number of actions and incur various costs, other than
13 transport costs, to port numbers, including upgrading of its switches, which upgrades are
14 planned. These costs are outlined in Exhibit 2 to Mr. Davis' direct testimony.

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

18 A: For a couple of reasons. First, since the first and second LNP cases, Valley is in the
19 process of upgrading its switches, and other cost elements associated with LNP have been
20 reduced, such that the cost of implementing LNP (other than transport) have fallen.

21 Second, Valley's Petition, in essence, is a compromise to the wireless carriers. Although

1 Valley believes there is no demand for intermodal LNP, some wireless carriers
2 apparently feel it is useful to their business. Rather than ask for a total suspension,
3 Valley will incur the cost of implementing LNP. Valley merely asks that it not be
4 required to pay for transport.

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

6 A: Yes. Even though to my knowledge there are three (3) wireless carriers authorized to
7 serve in Valley's service area, any licensed carrier could start operations at any time.
8 Further, as a result of the latest FCC decision, Valley may be required to provide LNP in
9 connection with service to VoIP providers. At this time, Valley does not know who or
10 how many VoIP providers may be involved. Valley has no arrangements in place that
11 would allow for the transport of traffic to numbers ported from Valley to any of these
12 entities. Further, because Valley has no arrangements with these carriers, it cannot
13 transport traffic to numbers ported from Verizon or Alltel to any of these other entities.

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

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

1 cost of transport and what the transport cost will be is largely controlled, at least in the
2 first instance, by the wireless carriers.

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

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

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

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

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

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

18 **Q: What will be the impact on Valley and its customers if its Petition is not granted?**

19 A: As stated, implementing LNP will impose costs on Valley and its subscribers. The cost
20 of paying for transport will impose an additional burden on Valley and its subscribers.
21 Depending on the point of interconnection, the cost of transport may be substantial; and
22 our subscribers have not requested this service. There is little, if any, demand for

1 intermodal or VoIP LNP in our service area. Little or no demand means that the cost of
2 transport imposes a significant adverse economic impact on users and an unduly
3 economically burdensome requirement on the company and subscribers. Further, the vast
4 majority of our customers will have to pay for those few, if any, who decide to port their
5 numbers. It is a very poor bargain for the majority of our customers.

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

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

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

20 A: I would expect the reaction would be negative. Since the vast majority of our customers
21 will gain no benefit from intermodal LNP or VoIP LNP, I expect protests if they must
22 pay a cost for a service they do not want and for which they receive no benefit. It is not

1 in the Valley members' best interests for the large majority of our members to be
2 required to pay for a mandated service that will benefit few, if any, of our members. For
3 these reasons, our Board of Directors has been supportive of our efforts to obtain a
4 suspension or modification of the LNP rules.

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

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

18 **Q: As Valley is not LNP capable, can Valley correctly route calls to a number ported**
19 **from one wireless carrier to another?**

20 A: No.

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

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

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

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

Certificate of Service

The undersigned, attorney for Petitioner hereby certifies that a true and correct copy of Pre-filed Testimony of John Tormoehlen 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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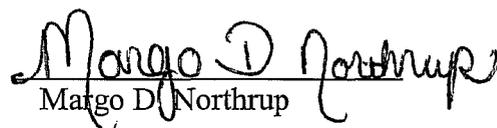
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