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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 Interstate  
Telecommunications Cooperative for  
Suspension or Modification of 47 USC  
Section 251(b)(2) of the Communications  
Act of 1934 as Amended

Docket No. TC08-024

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DIRECT PRE-FILED TESTIMONY OF  
JERRY HEIBERGER

July 15, 2008

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

2 A. My name is Jerry Heiberger. My business address is 312 4<sup>th</sup> Street, P.O.  
3 Box 920, Clear Lake, SD, 57226. My business telephone number is 605-874-  
4 2181.

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

6 A: I am the General Manager of Interstate Telecommunications Cooperative (ITC).  
7 ITC is a rural independent local exchange carrier that provides local exchange,  
8 exchange access and other telecommunications services to 13,724 access lines  
9 within its South Dakota service area, including an average of 431 “lifeline” access  
10 lines within its South Dakota service area. ITC’s South Dakota service area  
11 includes the exchanges of Astoria, Aurora, Bradley, Brandt, Brookings Rural,  
12 Bryant, Castlewood, Chester, Clark, Clear Lake, Elkton, Estelline, Florence,  
13 Gary, Goodwin, Hayti, West Hendricks, Lake Norden, Nunda, Sinai, Toronto,  
14 Waubay, Webster, Wentworth, White and Willow Lake.

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

17 A: Yes. ITC has a direct connection with Alltel in Brookings Rural, Webster and  
18 Clark. ITC has a direct connection with Verizon in Brookings Rural.

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

22 A: Our service areas are defined by the boundaries of our exchanges, and where we  
23 have physical cable plant. The wire-less carriers, on the other hand, serve areas

1 licensed by the FCC and by the reach of a radio frequency transmission from a  
2 tower site, which makes their wireless local calling area much larger than our  
3 exchange boundaries. The boundary of our wireline rate centers and the local  
4 calling areas of wireless carriers serving in our area vary greatly.

5 **Q: How does ITC route calls from its subscribers' landline phones to wireless**  
6 **carrier subscribers?**

7 A: If a wireless number is local to one of ITC's calling areas or EAS areas and the  
8 wireless carrier has a direct connection to ITC, the call is routed over the trunks  
9 associated with that direct connection. For example, an Alltel wireless number  
10 that is local to the Brookings Rural, Webster or Clark calling areas would be  
11 routed over the trunks associated with Alltel's direct connections in those  
12 exchanges. The same would be true for Verizon wireless numbers that are local  
13 to the Brookings Rural calling area. When a subscriber located in any other ITC  
14 calling areas uses his or her landline phone to call a wireless phone number, the  
15 subscriber must dial a ten-digit phone number (unless the subscriber has  
16 purchased an optional EAS plan); the call is routed from the subscriber's landline  
17 phone to the ITC central office switch, where it is determined to be a non-local  
18 call; and the call is switched to a toll trunk group. The toll trunk carries the call to  
19 South Dakota Network's (SDN's) Centralized Equal Access (CEA) tandem,  
20 which is located in Sioux Falls, to be routed to the appropriate Point of  
21 Interconnection of the wireless carrier.

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

1 A: I am aware of six (6) wireless carriers that are authorized to serve in ITC's  
2 Service area: Verizon Wireless, Alltel, Sprint PCS, Midwest Wireless, Nextel  
3 and RCC. Of these, Nextel and Midwest Wireless do not appear to currently have  
4 active wireless marketing campaigns. The major wireless carriers in ITC's area  
5 are Verizon Wireless, Alltel, RCC, and Sprint.

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

8 A: To my knowledge, not a single ITC subscriber has formally requested local  
9 number portability from ITC. ITC knows of one instance when a subscriber  
10 verbally asked about the availability of LNP.

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

14 A: To my knowledge, not a single ITC subscriber has formally requested local  
15 number portability from ITC for VoIP applications. ITC knows of one instance  
16 when a subscriber verbally asked about the availability of Vonage services.

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

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

1 **Q: Mr. DeWitte's testimony addresses the cost of transport associated with**  
2 **intermodal and VoIP LNP. Are there other costs?**

3 A: Yes. ITC would have to take a number of actions and incur various costs to be  
4 able to port numbers. These are explained in Mr. DeWitte's testimony.

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

8 A: For a couple of reasons. First, since the first and second LNP cases, ITC has  
9 made some upgrades to some of its switches and other cost elements associated  
10 with LNP have been reduced, such that the cost of implementing LNP (other than  
11 transport) have fallen. Second, ITC's Petition, in essence, is a compromise to the  
12 wireless carriers. Although ITC believes there is no demand for intermodal LNP,  
13 some wireless carriers apparently feel it is useful to their business. Rather than  
14 ask for a total suspension, ITC will incur the cost of implementing LNP. ITC  
15 merely asks that it not be required to pay for transport.

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

17 A: Yes. Even though to my knowledge there are six wireless carriers authorized to  
18 serve in ITC's service area, only four are actively operating and soliciting  
19 customers, and any licensed carrier could start operations at any time. As a result  
20 of the latest FCC decision, ITC may be required to provide LNP in connection  
21 with service to VoIP providers. At this time, ITC does not know who or how  
22 many VoIP providers may be involved. ITC has no arrangements in place that

1 would allow for the transport of traffic to numbers ported from ITC to any of  
2 these entities. Further, because ITC has no arrangements with these carriers, it  
3 cannot transport traffic to numbers ported from Verizon and Alltel to any other of  
4 these other wireless entities.

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

7 A. Because, in the first instance, it is the wireless carrier who makes the decision  
8 whether to pursue direct or indirect connection with the ILEC. It also is the  
9 wireless carrier that, in the first instance, either pursues a point of interconnection  
10 within the LEC's service territory or not. Further, it appears to be the position of  
11 Alltel and Verizon that the point of interconnection and direct versus indirect  
12 interconnection is within their discretion, although ITC does not agree with this  
13 position. Therefore, whether there will be any cost of transport and what the  
14 transport cost will be is largely controlled, at least in the first instance, by the  
15 wireless carriers.

16 For example, Mr. DeWitte's exhibits concerning the cost of transport are based  
17 on transporting traffic to Sioux Falls. It is my understanding, however, that Sprint  
18 and Alltel have said they have the right to require the transport of traffic to any  
19 point in the LATA, which is almost any point in South Dakota. If wireless  
20 carriers should some day decide that it makes more sense for their traffic to go to  
21 some other point in the LATA, the cost of transport could be a lot more than what  
22 Mr. DeWitte modeled. And, if they make that decision for their own business  
23 purposes, they should be willing to pay for it.

1 **Q. Do you have concerns with this Commission requiring ITC to incur**  
2 **transport obligations that extend beyond its current rural service area?**

3 A: Yes. Other than limited EAS facilities, ITC does not have facilities to transport  
4 local calls outside of its service area. Generally, I believe that requiring a small  
5 rural company such as ITC to incur additional transport costs related to facilities  
6 to transport local calls beyond its current local network and its service area would  
7 impose a competitive disadvantage on ITC and also make it more difficult in the  
8 future to achieve universal service. I believe it must be recognized that ITC, as a  
9 small rural carrier with a service area limited to only a portion of South Dakota,  
10 does not have telecommunications facilities extending throughout the LATA or  
11 MTA. This is in contrast to the larger wireless carriers such as Verizon and Alltel  
12 which, with their telecommunications networks, do reach most of this State. I  
13 find it hard to understand why ITC should have to incur additional costs  
14 associated with transport facilities to transport local calls outside of its rural  
15 service area in order to make things more efficient for certain wireless carriers  
16 who have much larger networks and many more customers. Moreover, the  
17 challenges of maintaining affordable and universal telephone service are already  
18 substantial for ITC and shifting additional transport responsibilities to rural  
19 carriers and customers for transport services to locations far removed from ITC's  
20 existing rural service would be a step in the wrong direction.

21 **Q: Does the recently announced merger between Alltel and Verizon have any**  
22 **impact on this proceeding and the transport?**

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

9 **Q: What will be the impact on ITC and its customers if its Petition is not**  
10 **granted?**

11 A: ITC is a small rural company with a small customer base. As stated earlier in my  
12 testimony, implementing LNP will impose costs on ITC and its subscribers. The  
13 cost of paying for transport will impose an additional burden on ITC and its  
14 subscribers. We have few economies of scale; the cost of transport is substantial;  
15 and our subscribers have not requested this service. There is little, if any, demand  
16 for intermodal or VoIP LNP in our service area. Little or no demand means that  
17 the cost of transport imposes a significant adverse economic impact on users and  
18 an unduly economically burdensome requirement on the company and  
19 subscribers. Further, the vast majority of our customers will have to pay for those  
20 few, if any, who decide to port their numbers. It is a very poor bargain for the  
21 majority of our customers.

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

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

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

14 A: I would expect the reaction would be negative. Since the vast majority of our  
15 customers will gain no benefit from intermodal LNP or VoIP LNP, I expect  
16 protests if they must pay a cost for a service they do not want and for which they  
17 receive no benefit. It is not in the ITC members' best interests for the large  
18 majority of our members to be required to pay for a mandated service that will  
19 benefit few, if any, of our members. For these reasons, our Board of Directors  
20 has been supportive of our efforts to obtain a suspension or modification of the  
21 LNP rules.

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

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

13 **Q: As ITC is not LNP capable, can ITC correctly route calls to a number ported**  
14 **from one wireless carrier to another?**

15 A: No.

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

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

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

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

Certificate of Service

The undersigned, attorney for Petitioner hereby certifies that a true and correct copy of Pre-filed Testimony of Jerry Heiberger and Pre-filed Testimony and Confidential Exhibits of John De Witte was sent electronically on this 15th day of July, 2008, upon:

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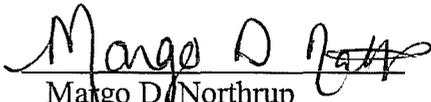
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