BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PETITION OF SPRINT COMMUNICATIONS COMPANY L.P. FOR ARBITRATION PURSUANT TO THE TELECOMMUNICATIONS ACT OF 1996 TO RESOLVE ISSUES RELATING TO AN INTERCONNECTION AGREEMENT WITH BROOKINGS MUNICIPAL UTILITIES D/B/A SWIFTEL COMMUNICATIONS	Docket No. TC06-176

Direct Testimony of Peter C. Rasmusson

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

February 2, 2007

1   **Q.**   **PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS**

2   **ADDRESS.**

3   A.   My name is Peter C. Rasmusson. My business address is 1515 North Sanborn

4   Blvd., Mitchell, SD 57301. My occupation/title is President, Telecommunications

5   Consulting and Engineering for Martin Group, Inc.

6   **Q.**   **PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**

7   **WORK EXPERIENCE.**

8   A.   I received a Bachelor of Science degree in Civil Engineering from Iowa State

9   University. I currently manage the engineering, consulting and regulatory

10   business for Martin Group, Inc., a telecommunications software, consulting, and

11   engineering firm. In this position during the past four and one half years, I have

12   supervised and reviewed the development of many different types of cost studies,

13   feasibility studies, business plans and transport and termination studies including:

14   • Intrastate and interstate access cost studies for companies including

15   Swiftel and several other ILECs in South Dakota, Iowa, Ohio, Washington

16   and Indiana;

17   • Business plans for regional fiber networks in New York, Nebraska,

18   California and Alabama;

19   • NECA average schedule to cost conversion feasibility studies;

20   • NECA average schedule filings;

21   • Collection and analysis of traffic data

22   • LECA intrastate access rate development;

23   • Transport and termination rate development for Swiftel in this docket.

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

25　　due to the wide variety of consulting projects and cost studies we have

26　　completed for them during the past twenty years.

27　　Prior to joining Martin Group I was employed for seven years as President and

28　　General Manager for Sioux Valley Telephone Company and Hills Telephone

29　　Company, two independent local exchange carriers with operations in South

30　　Dakota, Minnesota and Iowa. As President and General Manager of Sioux

31　　Valley Telephone Company, I had the overall responsibility to develop its

32　　intrastate access rate in accordance with SDPUC rules and to file NECA

33　　average schedule forms and reports. In addition, I developed an EAS rate

34　　study that was ultimately voted on and approved. As part of my duties for

35　　Sioux Valley and Hills Telephone Companies, I also served on the Board of

36　　Directors for Express Communications, a South Dakota-based long distance

37　　carrier; the Local Exchange Carrier Association (LECA), a South Dakota

38　　access charge pooling association; FiberNet, an Iowa-based regional transport

39　　network; and Fiber Comm, an Iowa-based competitive local exchange carrier.

40　**Q.　ON WHOSE BEHALF WAS THIS TESTIMONY PREPARED?**

41　A.　This testimony was prepared on behalf of Brookings Municipal Utilities d/b/a

42　　Swiftel Communications (Swiftel). Swiftel is the incumbent local exchange

43　　carrier (ILEC) that is franchised to serve the telephone customers within the

44　　municipal boundaries of the City of Brookings, SD.

45　**Q.　IN WHAT CAPACITY ARE YOU TESTIFYING?**

1 A. As an expert witness for Swiftel, I am here to explain the development of

2 Swiftel's reciprocal compensation rate and to render my opinion that the resulting

3 reciprocal compensation rate is reasonable and was prepared in accordance with

4 the FCC and the Telecommunications Act of 1996 principles and methods. I will

5 also render my opinion regarding Sprint's proposal to use bill and keep

6 procedures for reciprocal compensation.

7 Q. **WHAT IS SWIFTEL'S PROPOSED RECIPROCAL COMPENSATION**

8 **RATE?**

9 A. As shown in Exhibit 1, Swiftel's reciprocal compensation rate is $0.0131 per

10 minute.

11 Q. **HOW DID MARTIN GROUP DEVELOP THE RECIPROCAL**

12 **COMPENSATION RATE FOR SWIFTEL?**

13 Martin Group acquired the Hatfield/HAI Version 5.0a (Hatfield Model),

14 reviewed default inputs and made Swiftel specific adjustments to 43 inputs.

15 Using the results of the Hatfield Model, Martin Group calculated Swiftel's

16 reciprocal compensation rate of $0.0131 per minute.

17 Q. **CAN YOU PROVIDE A SUMMARY OF THE RESULTS OF THAT**

18 **STUDY?**

19 A. Exhibits 2-1 and 2-2 show direct outputs of the Hatfield Model. Exhibit 1 shows

20 how Martin Group used these outputs to calculate the $0.0131 rate. For

21 clarification purposes, I would like to note that the Hatfield Model produces

22 rates for many different elements similar to the way that South Dakota intrastate

23 access cost studies produce rate elements for Local Transport, Local Switching

1 and Carrier Common Line. In order to develop Swiftel's reciprocal

2 compensation rate, only the rate elements for local switching and local transport

3 play a role in determining the reciprocal compensation rate so many of the

4 Hatfield Model's rates are not used because they do not apply to local switching

5 or local transport elements.

6 **Q. CAN YOU SUMMARIZE WHY MARTIN GROUP USED THE**

7 **HATFIELD MODEL?**

8 A. Yes I can. In brief summary, the Hatfield Model was originally developed in the

9 mid-1990s to produce estimates of the TSLRIC (Total Service Long Run

10 Incremental Costs) of basic service as part of an examination of cost of universal

11 service and was placed in the record of the FCC's CC Docket No. 96-45 to assist

12 the Commission in determining the forward-looking economic cost of universal

13 service. The methodology of the Hatfield Model is fully consistent with the

14 TELRIC (Total Element Long Run Incremental Cost) principles set forth in the

15 FCC Interconnection Order. AT&T and MCI used earlier versions of the

16 Hatfield Model as the basis for their recommended prices for unbundled network

17 elements in a large number of state jurisdictions during the later part of 1996.

18 The Hatfield Model Version 5.0a was used for TELRIC pricing in the Iowa

19 Utilities Board's (IUB) arbitration order involving Sprint and several Iowa

20 ILECs (ARB-05-2, ARB-05-5, ARB-05-6).

21 **Q. CAN YOU PROVIDE SOME DETAIL REGARDING THE**

22 **ASSUMPTIONS USED IN THIS STUDY?**

23 A. Yes I can. The following assumptions were utilized to complete the study.

1. All default input values of the model were used with the exceptions noted in Exhibit 3. I have personally reviewed all of the changes and the reasons for the changes shown in Exhibit 3. It is my expert opinion that these changes are reasonable and yield reasonable results. The Hatfield Model's documentation specifies the default value and the support for the default value and is incorporated here by reference.

2. Martin Group changed 43 of the 187 default inputs in the switching and interoffice transmission module, along with the expense module. These sections include the parameters that apply to the pricing of the local transport and switching elements used to calculate Swiftel's reciprocal compensation rate. As shown in Exhibit 3, default changes were based upon Swiftel's accounting records and traffic studies, as well as Martin Group's consulting and engineering experience with equipment prices in the small LEC market. Exhibit 3 lists the specific support for each of the Swiftel specific inputs used in the model.

Q. CAN YOU SUMMARIZE AGAIN THE RESULTS OF THE STUDY?

A. Yes I can. In brief summary as shown in Exhibit 1, based on the Hatfield Model rate elements and Swiftel's traffic between its host and remote switches, the reciprocal compensation rate is $0.0131 per minute.

Q. WHAT IS YOUR ASSESSMENT OF SPRINT'S PROPOSAL TO USE BILL AND KEEP FOR RECIPROCAL COMPENSATION?

A. Bill and keep is appropriate only when the traffic subject to reciprocal compensation exchanged between the Parties is balanced. Sprint has presented no

1   evidence demonstrating that the traffic will be balanced. (See Exhibit 4, Sprint

2   Communications Company L.P.'s Response to Brookings Municipal Utilities d/b/a

3   Swiftel Communications First Set of Discovery Requests and Production of

4   Documents, Response to Discovery Request 3, document provided in pertinent

5   part.)

6   Q.   **WHY DO YOU BELIEVE THE TRAFFIC WILL NOT BE BALANCED?**

7   A.   Sprint is in the initial stages of acquiring customers for telephone service. Based

8   on Martin Group's experience with CLECs, each CLEC experiences different

9   levels of success throughout their existence depending upon many variables

10   including but not limited to the reaction of the competitor(s), the quality and

11   number of services offered by each competitor, its cost structure in comparison

12   with the competitors, the types of customers in the target market and the execution

13   of the CLEC's business plan. Even in CLEC startups with many of these factors

14   in their favor, it can take many months or a few years to get to a position of

15   balanced traffic. Some CLECs never acquire enough customers/traffic to get to a

16   balanced position with the ILEC.

17 Q.   **DOES THIS COMPLETE YOUR TESTIMONY?**

18 A.   Yes it does.

Exhibits 1 -3 filed as CONFIDENTIAL

CONFIDENTIAL
[|]

CONFIDENTIAL
[2]

CONFIDENTIAL
#[3]