
STATE OF SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF VENTURE COMMUNICATIONS COOPERATIVE FOR SUSPENSION OR MODIFICATION OF LOCAL DIALING PARITY AND RECIPORCAL COMPENSATION OBLIGATIONS	PUC 7-01
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DIRECT TESTIMONY OF LARRY THOMPSON

ON BEHALF OF VENTURE COMMUNICATIONS COOPERATIVE

June 12, 2007

A. Background Information

1 **Q1. Please state your name, employer, business address and telephone**
2 **number.**

3
4 A1. My name is Larry Thompson. I am the Chief Executive Officer of Vantage
5 Point Solutions ("Vantage Point"). My business address is 1801 North Main
6 Street, Mitchell, South Dakota, 57301 and telephone number is (605) 995-
7 1777.

8 **Q2. On whose behalf are you testifying?**

9
10 A2. I am testifying on behalf of Venture Communications Cooperative,
11 "Venture". Based on my experience working with Venture, I know that
12 Venture provides local telephone exchange service and exchange access
13 services in South Dakota and is engaged in the provision of general
14 telecommunications services in the State of South Dakota subject to the
15 jurisdiction of the South Dakota Public Utilities Commission
16 ("Commission").

17 **Q3. Generally, what types of services does Vantage Point perform?**

18
19 A3. Vantage Point is a telecommunications engineering and consulting company
20 whose services include long range communication plans and feasibility
21 studies, emerging technology analysis and migration studies,
22 telecommunications electronic equipment engineering, outside plant
23 engineering, field services engineering and regulatory consulting.

1
2 **Q4. What are your duties and responsibilities at Vantage Point?**
3

4 A4. I am responsible for providing consulting and engineering services to clients
5 in a wide array of technical and regulatory areas associated with
6 telecommunications. Our client base consists of small, rural Independent
7 Telephone Companies such as Venture. We have approximately 80 fulltime
8 employees on staff. I am also responsible for the normal duties you would
9 expect from the chief executive officer for a company of our size.

10 **Q5. What is your educational background?**
11

12 A5. I have a Bachelor of Arts in Physics from William Jewell College in Liberty,
13 Missouri, and both Bachelors and Masters degrees in Electrical and
14 Computer Engineering from the University of Kansas in Lawrence, Kansas.

15 **Q6. Do you hold any professional engineering licenses?**
16

17 A6. Yes. I am a licensed professional engineer in Colorado, Georgia, Iowa,
18 Idaho, Indiana, Michigan, Minnesota, Missouri, Nebraska, New York, Ohio,
19 South Dakota, Utah, Washington, Wisconsin and Wyoming. I am also a
20 member of the National Council of Examiners for Engineering and Surveying
21 (NCEES).

22 **Q7. Do you have a resume of your experience?**
23

24 A7. Yes, it is attached to my testimony as Exhibit LDT-D-1.
25

26 **Q8. What is the purpose of your direct testimony?**
27

28 A8. The purpose of my direct testimony is to provide information in support of
29 the cost exhibits filed with the Petition for Suspension or Modification of

1 Local Dialing Parity¹ (herein referred to as the “Petition”) by Venture in these
2 proceedings, to provide information concerning Venture’s network and to
3 provide other technical and regulatory information concerning local exchange
4 carrier operations.

5 **Q9. Are you familiar with Venture and their network?**
6

7 A9. Yes. I have provided Venture with engineering and consulting services for
8 more than 10 years. Venture is a small rural telephone company with
9 approximately 14,000 access lines, based in Highmore, South Dakota.
10 Venture was founded as Sully Buttes Telephone Cooperative, Inc. in 1952 by
11 its member-owners to provide telephone service in central South Dakota,
12 since the larger for-profit companies would not provide service. Today,
13 Venture consists of 26 South Dakota exchanges with a variety of local calling
14 areas. The Venture service territory is generally found in two geographic
15 regions, although their exchanges within each of these regions are not
16 contiguous. For simplicity in my testimony, I will refer to these two
17 geographic network regions as the Central network and the Northeast
18 network.

19 **Q10. What do you mean by a “rural telephone company”?**
20

21 A10. A rural telephone company is defined in the Communications Act of 1934, as
22 amended (referred to herein as the “Act”), and includes a local exchange

¹ Petition for Suspension or Modification of Local Dialing Parity and Reciprocal Compensation Obligations Pursuant to Section 251(f)(2) of the Communications Act of 1934, as amended (the Act) and South Dakota Codified Laws SDCL § 49-31-80, Venture Communications Cooperative (Venture or Petitioner) hereby respectfully requests that the Public Utilities Commission of the State of South Dakota (Commission) grant a suspension or modification of Section 251(b)(3) and 251(b)(5) of the Act. Docket No. TC06-181 (referred to herein as the “Petition”)

1 carrier operating entity that “provides telephone exchange service, including
2 exchange access, to fewer than 50,000 access lines”².

3 **Q11. Does Venture’s number of access lines meet the criteria in Section**
4 **251(f)(2) of the Act?**

5
6 A11. Yes, Venture has fewer than 2% of the nation’s subscriber lines.

B. Petition Issues Discussed in Testimony

7
8 **Q12. Are you familiar with the issues as outlined in the Petition?**
9

10 A12. Yes, I am familiar with the issues within the Venture Petition. I would like to
11 discuss two of the issues in this testimony.

12 **Q13. What is the first issue in the Petition you would like to discuss in your**
13 **testimony?**
14

15 A13. The first issue concerns the cost for Venture to transport calls originated by a
16 Venture wireline customer to a distant wireless carrier point of
17 interconnection (POI) in connection with local dialing parity. For purposes
18 of my testimony, a “distant POI” is defined as a POI that is located outside of
19 the wireline local calling area. As discussed later, the financial and technical
20 impacts to Venture were determined for POIs at various locations outside the
21 Venture local calling area.

22 **Q14. What is POI in this context?**
23

24 A14. POI stands for “Point of Interconnection” and is the geographic location
25 where the exchange of traffic takes place between two telecommunications
26 carriers.

² 47 U.S.C. §153 (37)(B).

1
2 **Q15. What is the second issue in the Petition you would like to discuss in this**
3 **testimony?**

4
5 A15. The second issue is the cost of reciprocal and symmetrical compensation.

6 **Q16. Can you explain these issues?**

7
8 A16. In this Petition, the cost of reciprocal compensation refers to the additional
9 reciprocal compensation amount Venture would be required to pay to
10 wireless carriers if Venture must pay reciprocal compensation on toll calls
11 handed off to an IXC that terminate in the MTA. As found by the Federal
12 Communications Commission (FCC), “Symmetrical compensation
13 arrangements are those in which the rate paid by an incumbent LEC to
14 another telecommunications carrier for transport and termination of traffic
15 originated by the incumbent LEC is the same as the rate the incumbent LEC
16 charges to transport and terminate traffic originated by the other
17 telecommunications carrier.”³ In this Petition, the cost of symmetrical
18 compensation is the amount of compensation Venture would be required to
19 pay to wireless carriers that exceeds the wireless carriers’ cost to transport
20 and terminate local traffic.

21 **Q17. Why are these issues significant to Venture?**

22
23 A17. The transport associated with local dialing parity and reciprocal and
24 symmetrical compensation will increase Venture’s costs significantly and
25 reduce its revenues. Not only will this impose an undue economic burden on

³ In the Matter of Implementation of the Local Competition Provision in the Telecommunications Act of 1996, Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Providers, CC Docket No. 96-98, CC Docket No. 95-185, paragraph 1069.

Venture, it will have a significant adverse economic impact on Venture's end users.

C. Venture Network and Call Routing Background

Q18. Do you understand Venture's current network and call routing?

A18. Yes. Venture has worked hard to provide a capable and reliable network to their cooperative customers. Venture's current call routing techniques are similar to the other rural ILECs that I am familiar with.

Q19. What is a MTA and why is it significant to these proceedings?

A19. A Major Trading Area (MTA) is a geographic area used by the FCC for certain spectrum licenses for the wireless carriers. With a few exceptions, the MTA regions adopted by the FCC were based on the MTAs defined in the Rand McNally 1992 Commercial Atlas & Marketing Guide, 123rd Edition. The FCC has 51 MTA. The MTAs are named after a major city within the MTA or by a number of 1 through 51. See Exhibit LDT-D-2. These MTAs are significant to Venture in these proceedings, since different intercarrier compensation rules apply when a wireless to wireline call either crosses or does not cross an MTA boundary.

Q20. What MTA does Venture Communications service territory fall within?

A20. The Minneapolis MTA or MTA 12. See Exhibit LDT-D-3.

Q21. Could you describe an IntraMTA call?

A21. Yes. An IntraMTA call is when a call originates in one MTA and terminates within the same MTA. For example, if a call originates with a wireless

1 customer located in Dell Rapids, South Dakota (which is in the Minneapolis
2 MTA) and terminates to a Venture wireline customer in Highmore, South
3 Dakota (which is also in the Minneapolis MTA), this call would be
4 considered an IntraMTA call since the wireless call originated in one MTA
5 and terminated in the same MTA. If a call originates with a wireless
6 customer located in Fargo, North Dakota (which is located in the
7 Minneapolis MTA) and terminates to a Venture wireline customer in
8 Highmore, South Dakota, this call is also an IntraMTA call since the call
9 originates and terminates in the same MTA (See Exhibit LDT-D-5).
10 IntraMTA calls are considered to be local calls even if the wireless caller is
11 calling a wireline customer in a different state. Since the wireless caller is
12 mobile, the location of the wireless caller at the start of the call is used to
13 determine if the call is an IntraMTA call.

14 **Q22. Could you describe an InterMTA call?**

15
16 A22. Yes. An InterMTA call is when a call originates in one MTA and terminates
17 within a different MTA. For example, if a wireless call originates in Wall,
18 South Dakota (which is in the Denver MTA) and terminates to a Venture
19 wireline customer in Highmore, South Dakota (which is in the Minneapolis
20 MTA), this call would be considered an InterMTA call since the wireless call
21 originated in one MTA and terminated to a wireline customer in a different
22 MTA. Additionally, since the call originates and terminates within the state
23 of South Dakota this would be considered an intrastate InterMTA call (See
24 Exhibit LDT-D-6). If a wireless customer originates a call in Billings,

1 Montana (which is located in the Spokane-Billings MTA) to a Venture
2 customer in Highmore, South Dakota, this call would be considered an
3 interstate InterMTA call since the call originates and terminates in a different
4 MTA and originates and terminates in different states (See Exhibit LDT-D-
5 7). Since the wireless caller is mobile, the location of the wireless caller at
6 the start of the call is used to determine if the call is an InterMTA call.

7 **Q23. Do you understand when calls placed by a Venture customer are**
8 **considered local or toll calls?**
9

10 A23. Yes. There are two types of calls that can be made by a Venture customer – a
11 local call and a “non-local call”. A “non-local” call is sometimes referred to
12 as a “toll call” or an “access call”. A local call is one where a Venture
13 customer calls someone with a telephone number rated in the same exchange
14 or local calling area and routed to a POI within the same exchange or the
15 same local calling area. Venture’s local calling areas are shown in Exhibit
16 LDT-D-8. A toll call occurs when a Venture customer calls someone with a
17 telephone number rated outside of the local calling area. Toll calls can either
18 be intrastate toll calls (if they originate and terminate in the same state) or
19 interstate toll calls (originate in one state and terminate in a different state).
20 Therefore, a Venture customer can make a call that is rated as local, intrastate
21 toll, or interstate toll.

22 **Q24. What do you mean when you say a call is “rated”?**
23

24 A24. The “rating” of a call is a process used by a telephone company to determine
25 what, if any, compensation should be paid or received for calls that are
26 originated or terminated to one of their customers. When a call is rated, it

1 will be categorized as either local or toll. A toll call can either be interstate or
2 intrastate in nature. Both interstate and intrastate calls can be broken into
3 interLATA and intraLATA calls. Toll calls, either originating or terminating,
4 are billed by Venture at their appropriate tariff switched access rates.

5 **Q25. What is the local calling area?**

6
7 A25. The local calling area designates the area in which a customer can call
8 another customer without incurring toll charges. Each Venture customer is
9 able to call other customers in their own exchange without incurring toll
10 charges. In addition, in some instances, a Venture customer is able to call
11 customers in other exchanges without incurring toll charges. When a
12 customer can call a customer in another exchange without incurring a toll
13 charge, they are using a Venture service referred to as “Extended Area
14 Service” or EAS. LDT-D-8 details the Venture local calling areas.

15 **Q26. How does Venture route a local call?**

16
17 A26. For local calls between two Venture customers, Venture typically routes the
18 call over its own facilities.

19 **Q27. How does Venture route a local call from its customer to the customer of**
20 **another carrier?**

21
22 A27. For EAS calls, where the dialed party is the customer of another carrier,
23 Venture delivers the traffic over an EAS facility or a direct connection
24 between Venture and the other carrier.

1 **Q28. How does Venture route an intrastate toll call?**

2
3 A28. Venture delivers all intrastate toll calls to South Dakota Network (SDN) who
4 delivers the call to the customer's presubscribed intraLATA Interexchange
5 Carrier (IXC), such as MCI, AT&T, etc.

6 **Q29. What is a LATA?**

7
8 A29. A LATA is the geographic area assigned to telephone companies that stands
9 for Local Access Transport Area. Some states have several LATAs defined
10 within them while other states may consist of mainly one LATA.

11 **Q30. Is an intraLATA toll call equivalent to an intrastate toll call?**

12
13 A30. Since South Dakota is essentially a single LATA state, nearly all intrastate
14 toll calls are intraLATA toll calls. Therefore for purposes of my testimony, I
15 will consider all intrastate calls as intraLATA and all interstate toll calls as
16 interLATA.

17 **Q31. How does Venture route an interstate toll call?**

18
19 A31. Venture delivers all interstate toll calls to SDN who delivers the call to the
20 customer's presubscribed interLATA IXC.

21 **Q32. How is Venture compensated for the use of its network when one of their**
22 **users places an interstate or intrastate toll call?**

23
24 A32. Venture bills the end user's interLATA or intraLATA IXC through a process
25 called Carrier Access Billing System (CABS) and then receives originating
26 switched access charges from that IXC.

27 **Q33. How is the IXC compensated for the call?**

28
29 A33. The IXC that handled the call has a direct billing relationship with the
30 Venture end user and bills the Venture end user that originated the call.

1
2 **Q34. For traffic that Venture delivers to an IXC, does Venture pay any form of**
3 **compensation to the terminating carrier (carrier serving the called party)?**

4
5 A34. No. The Venture end user that placed the call is a customer of their
6 presubscribed IXC. Venture delivers the call to the end user's presubscribed
7 IXC. The call then becomes the responsibility of the IXC. If the terminating
8 carrier is due any compensation, this would be the responsibility of the IXC.

9 **Q35. For local calls from a Venture customer to the customer of another**
10 **carrier, how is the terminating carrier compensated?**

11
12 A35. The terminating carrier receives "reciprocal compensation" from the
13 originating carrier for terminating local calls per §251(b)(5) of the Act.

14 **Q36. Earlier in your testimony, you stated that the Venture exchanges are**
15 **located in two basic geographic areas. Which Venture exchanges are**
16 **located in the "Central network" you referred to earlier?**

17
18 A36. Highmore, Harrold, Blunt, East and West Onida, Onida, Gettysburg,
19 Lebanon, Hoven, Tolstoy, Seneca, Onaka, Selby, Bowdle, Roscoe, Ree
20 Heights, Tulare, Hitchcock, Wessington, and Wessington Springs are all
21 located in Venture's Central network. A map of the Venture network can be
22 seen in LDT-D-9.

23 **Q37. Which Venture exchanges are located in the "Northeast network"?**

24
25 A37. The Northeast network exchanges consist of Sisseton, Rosholt, Britton,
26 Langford, Pierpont, and Roslyn. These exchanges are also seen on the map
27 of the Venture network in LDT-D-9.
28

1 **Q38. Does Venture own any facilities to connect the Northeast network with the**
2 **Central network?**

3
4 A38. No, Venture does not own facilities to connect the Central and Northeast
5 network.

6 **Q39. Are calls between a Venture customer in the Central network and a**
7 **Venture customer in the Northeast network toll calls or local calls?**

8
9 A39. They are all toll calls.

10 **Q40. How would a call placed by a Venture customer in the Central network be**
11 **routed if he were to call a Venture customer in the Northeast network?**

12
13 A40. When the Central network customer dials the number, Venture routes the call
14 to SDN. SDN determines the originating customer's presubscribed IXC and
15 then delivers the call to that IXC. The IXC then determines the identity of
16 the called customer's local exchange carrier and delivers the call to that LEC,
17 who will terminate the call to the end user customer. In this case, because the
18 terminating LEC is also Venture, the IXC delivers the call to SDN who then
19 delivers the call to the appropriate Venture toll connection point in the
20 northeast network for termination to the called Venture customer. The same
21 process occurs (only in reverse) for calls originated by a Venture customer in
22 the Northeast network to a Venture customer in the Central network.

23 **Q41. Are calls that originate and terminate within the Northeast network or**
24 **calls that originate and terminate within the Central network local calls?**

25
26 A41. As a general matter, no. Only calls that originate and terminate in the same
27 local calling area, or rate center, are local. As discussed previously, there are
28 limited circumstances where the calling party and the called party are in
29 different rate centers within the same network and the call could be local if

1 the two rate centers have EAS between them. However, most of the calls that
2 originate and terminate within each network are toll calls and handled by the
3 originating caller's IXC.

4 **Q42. Is a carrier allowed to have local calling from Venture customers to their**
5 **customers within the Venture local calling area if the carrier does not**
6 **have facilities within that local calling area?**

7
8 A42. No. If the carrier does not have facilities (a POI) in the local calling area, this
9 would be a toll call which Venture hands off to an IXC for transport outside
10 of the local calling area.

11 **Q43. Is this the case even if the call may be rated to a Venture exchange?**

12
13 A43. Yes. This is commonly referred to as a "virtual NXX" or "split rating and
14 routing" of calls.

15 **Q44. Are calls typically rated and routed separately?**

16
17 A44. No, typically calls that are rated as local are routed to a point within the same
18 rate center or local calling area.

19 **Q45. Can you explain how the call rating and call routing would be separated?**

20
21 A45. With a virtual NXX, Alltel would be separating the call rating from the call
22 routing by rating the call as local, yet requiring Venture to route the call to a
23 distant point beyond the local calling area.

1 **Q46. Would there be any impact to the Venture network if wireless carriers**
2 **were allowed to have local calling in a Venture local calling area without**
3 **any facility in that local calling area?**

4
5 A46. Yes. In order to make calls local within that local calling area, Venture
6 would have to upgrade their facilities for increased traffic volumes and for
7 local call routing to a distant location. Also, Venture would lose significant
8 access revenue from the IXC's that normally would have paid Venture
9 originating and terminating access for these calls.

10 **Q47. Why would facilities need to be upgraded if all calls within Venture's**
11 **service area were to become local?**

12
13 A47. Call traffic patterns of the Venture subscribers would change significantly as
14 well as call volumes. These changes would require both switching and
15 transport upgrades for Venture's network.

16 **Q48. Why is it believed that symmetrical payments, with respect to reciprocal**
17 **compensation between a rural carrier such as Venture and a large**
18 **wireless carrier would be unwarranted?**

19
20 A48. The rural ILEC often serves a much smaller number of customers in much
21 lower population density areas than a large wireless carrier's network.
22 Because of this, it is likely that the wireless carrier can achieve economies of
23 scale that are not possible for the rural ILEC. I discuss this in more detail
24 later in my testimony.

D. Financial Impacts of Petition Issues to Venture

Q49. What does Confidential Exhibit LDT-D-10⁴ demonstrate?

A49. This exhibit estimates the cost to transport calls originated by a Venture wireline customer to a wireless carrier at a distant POI outside the Venture service territory or Venture local calling area.

Q50. How many wireless carriers were accounted for in Exhibit LDT-D-10?

A50. The cost of transport was determined based on five wireless carriers.

Q51. Why were five carriers utilized in Exhibit LDT-D-10?

A51. At least three licensed wireless carriers currently operate in Venture's service territory. The cost was estimated for two additional carriers because other wireless carriers are licensed to operate in Venture's service territory.

Q52. Who are the three primary wireless carriers currently operating in Venture's service territory?

A52. The three primary operating wireless carriers are Verizon Wireless, Alltel Wireless, and RCC Wireless.

Q53. What types of transport costs are considered in Exhibit LDT-D-10?

A53. The cost of transport includes the estimated cost of DS1s being installed for direct connections to the wireless carriers and the cost of transport to the wireless carriers POI.

Q54. How was the estimated number of DS1s calculated for Exhibit LDT-D-10?

A54. The number of DS1s was based on the estimated number of local minutes of use that can be expected if existing land to mobile toll calls originating in

⁴ Confidential Exhibit LDT-D-10 was provided in the Petition for Suspension or Modification of Local Dialing Parity and Reciprocal Compensation Obligations as Confidential Exhibit 1

Venture's service territory become local calls. Standard traffic engineering was used to determine the number of DS-1s that would be required to handle this amount of traffic.

Q55. How was the estimated number of local minutes calculated for Exhibit LDT-D-10?

A55. This was calculated by determining the average minutes of use (MOU) of local calling from a Venture customer to a CMRS customer where local calling is available. This average MOU was then applied to the customers in the Venture local calling areas that do not currently have local calling to CMRS customers.

Q56. Per Exhibit LDT-D-10, there are three different scenarios presented. Can you briefly explain the three different cost scenarios?

A56. Yes. Scenario 1 estimates the cost to transport the wireless traffic from each of the local calling areas to a single POI for each wireless carrier that is located within the Venture service territory. Scenario 2 estimates the cost to transport the wireless traffic from each of the local calling areas to a POI for each wireless carrier outside of Venture's service territory but within the MTA and within South Dakota. Scenario 3 estimates the cost to transport this same traffic to a POI for each wireless carrier outside of Venture's service territory both inside and outside the state but within the MTA.

Q57. You mentioned that Exhibit LDT-D-10, Scenario 1 assumes POIs within Venture's service territory. Where were these POIs assumed to be located within Venture's service territory?

A57. The POI locations were based upon the wireless carrier's existing POIs in Venture's service territory and the location of their operations. For Alltel and

1 Verizon, we assumed a POI in the Central Network, and for RCC, the POI
2 was assumed to be in the Northeast Network. These assumptions were based
3 on the wireless carriers' existing operations in Venture's service area.

4 **Q58. What was the assumption in Scenario 1 of Exhibit LDT-D-10 as far as**
5 **wireless telephone numbers are concerned?**

6
7 A58. It was assumed that all five wireless carriers would have telephone numbers
8 assigned to a rate center in each of Venture's local calling areas and that all
9 Venture customers would be able to dial customers of all five wireless
10 carriers on a local basis.

11 **Q59. If Alltel's POI is in the Central network, how many DS1s would be**
12 **necessary to transport Alltel traffic from the Northeast network to the**
13 **Alltel POI in the Central network as local?**

14
15 A59. An estimated four DS1s would be necessary to transport traffic from the
16 Northeast network to the Alltel POI in the Central network as local. It was
17 estimated that one DS1 would come from Britton, one DS1 would come from
18 Roslyn, and two DS1s would come from Sisseton. The POI for Alltel was
19 assumed to be in the Central network at Highmore.

1 **Q60. Did you assume these same transport costs between the Central and**
2 **Northeast networks for other CMRS carriers?**

3
4 A60. No. Verizon only provides wireless service in the Central network and RCC
5 only provides wireless service in the Northeast network. Therefore, we
6 assumed there would not be a need to transport the Verizon and RCC traffic
7 between the two geographic networks. There are other carriers that hold
8 licenses in both Venture service areas and if the other wireless carriers deploy
9 wireless service in Venture territory and the Petition is not granted, it is
10 possible that additional transport could be required at a cost significantly
11 greater than what is presented in this analysis.

12 **Q61. What are the rates utilized to calculate the transport costs per DS1?**

13
14 A61. The standard SDN transport costs were utilized. Refer to Confidential
15 Exhibit LDT-D-10.

16 **Q62. Why were SDN's rates used?**

17
18 A62. SDN has facilities in place to transport the traffic between the Northeast
19 network and the Central network.

20 **Q63. Why are the rates applied to airline miles instead of route miles?**

21
22 A63. It is a standard industry practice to bill by airline miles.

23 **Q64. For Scenario 1 of Exhibit LDT-D-10, what is the cost of transport between**
24 **the Northeast and Central networks?**

25
26 A64. The estimated cost to transport Alltel traffic between the two networks based
27 upon the assumptions mentioned for transport is \$37,368 annually. If this
28 cost is expressed as a charge on each access line or telephone line of Venture
29 customers, it would be a charge of \$0.22 per access line per month.

1
2 **Q65. Are there any other costs associated with Scenario 1 of Exhibit LDT-D-**
3 **10?**

4
5 A65. Yes, in order to handle the increase in local traffic originating with Venture
6 customers and terminating beyond the wireline local calling area to the
7 wireless customers in the Northeast network, additional DS1 cards are
8 needed. These cards are necessary because Venture's Northeast network is
9 not a tandem network. Therefore, facilities would be necessary to transmit
10 calls between wire centers to get the traffic to the one POI on the Northeast
11 network. We estimate that three DS1 cards will be needed at a one time cost
12 of \$1,500.

13 **Q66. In Scenario 2 of Exhibit LDT-D-10, you mentioned the assumed POI is**
14 **within the MTA and within South Dakota. Where are the POIs assumed**
15 **to be located in this scenario?**

16
17 A66. We assumed all five POIs would be in Sioux Falls, South Dakota at SDN.

18 **Q67. How was the required number of trunks estimated in Scenario 2 of**
19 **Exhibit LDT-D-10?**

20
21 A67. The estimate of 19 DS1s was derived by determining the average local MOU
22 of Venture subscribers who currently are able to call wireless subscribers as a
23 local call and then applying that average to all Venture subscribers. Each
24 wireless carrier's traffic then was separated onto individual DS1s.

25 **Q68. What is the estimated cost of the transport in Scenario 2, Exhibit LDT-D-**
26 **10?**

27
28 A68. Using the standard SDN transport costs as in Scenario 1 of this exhibit, the
29 cost would be \$204,840 annually or \$1.22 per access line per month.

1
2 **Q69. Where are the assumed POIs in Scenario 3, Exhibit LDT-D-10?**

3
4 A69. We assumed Alltel and Verizon selected a POI at SDN in Sioux Falls, the
5 two National wireless carriers selected a POI in Minneapolis, Minnesota, and
6 the one Regional wireless carrier selected a POI in any major city within the
7 MTA.

8 **Q70. Would the costs in Scenario 2 of Exhibit LDT-D-10 to Sioux Falls still be**
9 **applicable?**

10
11 A70. Yes, the \$204,840 calculated in Scenario 2 would still be applicable as
12 Scenario 3 adds the additional charges for facilities from Sioux Falls to the
13 POI outside of South Dakota to the charges in Scenario 2.

14 **Q71. Was the estimate in Scenario 3 of Exhibit LDT-D-10 also based on SDN**
15 **charges?**

16
17 A71. No, the Qwest Interstate Tariff rates were used in calculating the additional
18 charges for DS1 facilities from Sioux Falls to the POI outside of South
19 Dakota but within the MTA.

20 **Q72. Can you explain why the SDN rates were utilized in the first two scenarios**
21 **and the Qwest interstate rates were used in the third scenario of Exhibit**
22 **LDT-D-10?**

23
24 A72. In Scenario 1, Venture needs to transport the traffic from the Northeast
25 network to the Central network. SDN has the facilities in place to transport
26 this traffic for Venture so the SDN rates were used. In Scenario 2, Venture
27 needs to transport the traffic from the Venture exchanges to SDN, and SDN
28 has the facilities in place to transport this traffic for Venture so the SDN rates
29 were used. In Scenario 3, Venture needs additional DS1s to transport the

1 traffic from SDN to Minneapolis, Minnesota or another major city within the
2 MTA. SDN facilities do not reach these other cities outside of South Dakota.
3 We assumed that Qwest would have facilities to Minneapolis, Minnesota or
4 other major cities within the MTA so the Qwest Interstate Tariff was used.

5 **Q73. Which wireless carriers could be considered National carriers and**
6 **Regional carriers in this estimate?**
7

8 A73. T-Mobile, Sprint Nextel, or Cingular could be considered a National carrier,
9 while RCC Wireless or Northern PCS would be Regional carriers.

10 **Q74. How many additional DS1s are necessary in Scenario 3 of Exhibit LDT-D-**
11 **10?**
12

13 A74. We estimate nine DS1s would be needed from Sioux Falls to the POI within
14 the MTA, five for the National carriers and four for the Regional carrier.

15 **Q75. What were the other necessary elements that were utilized in Scenario 3 of**
16 **Exhibit LDT-D-10?**
17

18 A75. The other necessary elements utilized in Scenario 3 were Transport Facility,
19 Transport Termination, Channel Termination, and Central Office (CO)
20 Multiplexing.

1 **Q76. Can you explain why these other elements are necessary in this estimate?**

2
3 A76. In the Qwest Interstate Tariff, the rates are listed for each network element
4 that is available for leasing. The network elements mentioned in the previous
5 question were identified as the network elements that Venture would need to
6 lease from Qwest. Transport Facility is for the use of the fiber utilized
7 between Qwest central offices. The Transport Termination element is for the
8 electronics utilized in terminating the DS1s at the Qwest COs. CO
9 Multiplexing is for breaking down the DS1s to DS0s at the Qwest CO. The
10 last element, channel termination, is for the termination of the DS0s in the
11 CO.

12 **Q77. What are the estimated costs as shown in Scenario 3, Exhibit LDT-D-10?**

13
14 A77. From SDN to the wireless providers' POIs within the MTA, we estimate the
15 cost to be \$292,313, which would be added to the cost of Scenario 2 for a
16 total annual cost to Venture of \$497,153 or \$2.96 per access line per month.

17 **Q78. Can you explain what was taken into consideration when calculating the**
18 **cost settlement impacts in Confidential Exhibit LDT-D-11⁵?**

19
20 A78. Venture is required by FCC rules to file an Interstate Cost Study annually
21 which determines the amount of cost settlements that Venture is entitled to
22 out of the pools administered by the National Exchange Carrier Association
23 (NECA). The Interstate Cost study process assigns the interexchange fiber
24 and electronic costs between the interstate, intrastate and local jurisdictions
25 based on the DS1s utilizing the facilities. Additional DS1s will be needed to

⁵ Confidential Exhibit LDT-D-11 was provided in the Petition for Suspension or Modification of Local Dialing Parity and Reciprocal Compensation Obligations as Confidential Exhibit 2

1 accommodate the new local MOUs generated if calls which currently are toll
2 calls become local calls. These additional DS1s will change the assignments
3 of the interexchange fiber and electronic costs between interstate, intrastate
4 and local jurisdictions. In Exhibit LDT-D-11, the new and existing
5 assignments of interexchange fiber and electronic costs are multiplied by an
6 annual carrying charge to determine the amount of annual expenses and
7 multiplied by the interstate percentages to determine the amount of interstate
8 cost settlements. The difference between the new and existing interstate cost
9 settlements would be the reduction in cost study settlements.

10 **Q79. Are you saying that the shift in assignment of costs to the interstate,**
11 **intrastate or local jurisdictions is required by FCC rules?**
12

13 A79. Yes. If the number of local minutes of use increases in relation to the number
14 of toll minutes of use, federal rules dictate an increase in the assignment of
15 costs to the intrastate and local jurisdiction and a decrease in the assignment
16 of costs to the interstate jurisdiction. This will result in a decrease in the
17 interstate cost settlements received by Venture. In other words, less of
18 Venture's revenue requirement will come from the interstate jurisdiction,
19 which means that more of Venture's revenue requirement will have to come
20 from the intrastate jurisdiction, including local rates charged to Venture's
21 customers.
22

1 **Q80. Were the financial impacts due to jurisdictional cost shifts to Venture**
2 **calculated?**

3
4 A80. Yes, as shown in Confidential Exhibit LDT-D-11. For Scenario 1, \$113,837
5 would be shifted to local or \$0.68 per access line per month. For Scenario 2
6 & 3, \$143,750 would be shifted to local or \$0.86 per access line per month.

7 **Q81. Can you explain Confidential Exhibit LDT-D-12⁶?**
8

9 A81. Confidential Exhibit LDT-D-12 demonstrates the estimated miscellaneous
10 costs associated with implementing local dialing parity such as stranded
11 investment, reciprocal compensation, and originating access revenues.

12 **Q82. Why will Venture have stranded investment and what is the stranded**
13 **investment estimate based upon?**
14

15 A82. Currently, the CMRS carriers have 7 DS1s in place for the exchange of local
16 traffic with Venture. To accommodate these direct connections, Venture has
17 made an investment in electronics and copper wire facilities. Most of these
18 direct connections would no longer be needed if the CMRS carriers are able
19 to select only one POI for all of their traffic. If the CMRS carriers terminate
20 some of their current direct connections and establish only one direct
21 connection for each CMRS carrier, the investment that Venture has made in
22 electronics and copper would be stranded. The cost of this stranded
23 investment is estimated at \$39,947.
24

⁶ Confidential Exhibit LDT-D-12 was revised from the provided Confidential Exhibit 3 in the Petition for Suspension or Modification of Local Dialing Parity and Reciprocal Compensation Obligations

1 **Q83. How is reciprocal compensation impacted if calls that are currently toll**
2 **calls become local calls?**

3
4 A83. This would increase Venture's reciprocal compensation expense because
5 Venture would be required to pay reciprocal compensation for local MOU.
6 The amount of the increase in expense will depend on the reciprocal
7 compensation rate that applies to traffic between the carriers. Venture shows
8 the estimated impact of this in Confidential Exhibit LDT-D-12 using two
9 different reciprocal compensation rates. First, Venture calculated the impact
10 if the applicable reciprocal compensation rate is the rate in Venture's
11 Forward-Looking Economic Cost (FLEC) study of \$0.049133 per minute.
12 This cost study was filed in the arbitration proceeding between Venture and
13 Alltel. Although the rate has not yet been approved, it establishes the top end
14 of what the potential impact would be. Venture also calculated the impact
15 based on the current reciprocal compensation rate between Alltel and
16 Venture, which is \$0.009 per MOU. The estimated expense to Venture
17 would be \$476,791 annually or \$2.84 per access line per month utilizing the
18 FLEC rate. Based on the current Alltel/Venture rate, the cost would be
19 \$87,337 annually or \$0.52 per access line per month.

20 **Q84. Could jurisdictional cost shifts affect Venture's local rates?**

21
22 A84. Yes, as more costs are shifted to the local jurisdiction, local service rates
23 charged by Venture to their customers may have to increase in order to cover
24 the increased expenses.
25
26

1 **Q85. In addition to the impact on Venture, would there be other impacts if**
2 **Venture's modifications for local dialing parity are not granted?**

3
4 A85. Yes. Venture participates in the LECA pool in South Dakota, which also
5 could experience a significant and adverse impact.

6 **Q86. Can you briefly describe what LECA is?**

7
8 A86. LECA stands for Local Exchange Carriers Association. Nearly all South
9 Dakota rural LECs are members. LECA ensures that intrastate toll service
10 for all rural subscribers can be provided at reasonable rates by pooling the
11 costs and revenues associated with intrastate toll services for member
12 companies. This allows all member companies to charge an averaged
13 intrastate access charge rate.

14 **Q87. How would jurisdictional shifts of local dialing parity jeopardize the**
15 **continuation of the LECA pool?**

16
17 A87. If intrastate toll calls become local calls, both the costs and revenues
18 attributable to the reduction in intrastate toll MOU will be removed from the
19 LECA pool. Confidential Exhibit LDT-D-12 shows a net loss of \$366,468⁷
20 to the LECA pool if Venture intrastate toll calls become local calls.

21 **Q88. If that amount is for Venture alone, what would the net loss be to LECA if**
22 **other member companies are faced with a similar shift in MOU?**

23
24 A88. The impact to LECA could be up to 10 time's worse, which would be around
25 \$3,000,000.

26
27

⁷ This amount is taken from the revised Exhibit 3 from the Petition for Suspension or Modification of Local
Dialing Parity and Reciprocal Compensation Obligations attached here as Confidential Exhibit LDT-D-12

1 **Q89. Why do you believe it could be 10 times worse?**

2
3 A89. Venture has approximately 14,000 access lines, which is 10% of the access
4 lines in the LECA pool. If other LECA member companies implement local
5 dialing parity, the jurisdictional shift to the LECA pool could potentially be
6 10 times the amount of the net annual loss attributable to Venture alone.

7 **Q90. How would this magnitude of shortfall affect the members of LECA?**

8
9 A90. Members most likely would not meet their intrastate revenue requirement
10 without a significant rate increase. At some point, there would be far more
11 costs than revenues in the pool, which would defeat the benefits of rate
12 averaging.

13 **Q91. What does Confidential Exhibit LDT-D-13⁸ show?**

14
15 A91. This exhibit shows the estimated financial effects to Venture if Venture must
16 pay reciprocal compensation for calls within the MTA that are currently
17 delivered to an IXC. Currently, for calls delivered to an IXC, Venture pays
18 \$0 in reciprocal compensation. Paragraph I, II, and III are different
19 estimations of the reciprocal compensation that Venture could potentially
20 have to pay depending on the reciprocal compensation rate that applies to
21 local traffic from Venture and terminated by a wireless carrier. Paragraph I
22 assumes a reciprocal compensation rate based on the rate from Venture's
23 FLEC Study. Paragraph II assumes a reciprocal compensation rate based on
24 the existing rate between Alltel and Venture. Paragraph III assumes a

⁸ Confidential Exhibit LDT-D-13 was revised from the supplemented Confidential Exhibit A to the Petition for Suspension or Modification of Local Dialing Parity and Reciprocal Compensation (title and heading change only)

1 reciprocal compensation rate based on the wireless carrier's cost to transport
2 and terminate traffic. The Qwest tandem rate was used as a proxy for
3 wireless carrier costs.

4 **Q92. How were the MOU determined in Exhibit LDT-D-13 for the traffic that**
5 **originates from Venture and terminates to wireless carriers within the**
6 **MTA?**

7
8 A92. SDN performed a 30 day traffic study which captured the traffic that
9 originated from Venture and terminated to Alltel via an IXC within the MTA.
10 To estimate the amount of IntraMTA traffic delivered to an IXC for the other
11 wireless carriers, Venture records were used to determine the amount of
12 traffic originated to Alltel compared to all other wireless carriers over direct
13 and indirect connections. Based on these percentages, the Alltel minutes
14 from the 30 day study performed by SDN were increased to account for the
15 traffic of all other wireless providers.

16 **Q93. In Paragraph III of Exhibit LDT-D-13, why was the Qwest tandem rate**
17 **utilized in this scenario?**

18
19 A93. The Qwest tandem rate was used as a proxy for wireless carriers' costs
20 because the Qwest tandem operates in a similar fashion as wireless carriers'.
21 Specifically, the cost for switching and terminating a call is heavily
22 dependent upon the number of customers being served by the various
23 switches in the network. The Qwest tandem serves a large geographic area
24 and, therefore, serves more customers, similar to the large geographic area
25 served by a wireless carrier. Accordingly, a wireless carrier, like Alltel, and
26 Qwest are able to achieve economies of scale that cannot be achieved by a
27 small rural carrier such as Venture. Further, a proxy was used because

1 wireless carriers are not required to perform cost studies for rate regulation
2 purposes and, therefore, wireless carriers claim such studies do not exist.
3 Moreover, wireless carriers generally refuse to provide cost information, as
4 Alltel has done in this case, which prevented me from determining a
5 reciprocal compensation rate based on Alltel's cost. It is my understanding
6 that Alltel was ordered to provide certain cost information, which it has not
7 yet done. When this cost information is received, I will supplement my
8 testimony on this issue.

9 **Q94. What are some of the cost elements that would be different for wireless**
10 **carriers and Venture?**

11
12 A94. The switching costs on a per minute basis for a wireless carrier are much less
13 than a rural wireline carriers, partly because rural wireline switches serve
14 significantly fewer customers.

15 **Q95. Have you determined the cost for a CMRS carrier to transport and**
16 **terminate a call?**

17
18 A95. We have estimated the cost for one CMRS carrier who is an intervening party
19 in this docket, as set forth below. Venture requested cost information from
20 the intervening CMRS carriers in this docket via discovery. Although the
21 CMRS carriers were ordered to provide responses to these discovery
22 questions, they have not yet done so. When Venture receives those
23 responses, we will supplement our testimony on CMRS reciprocal
24 compensation.

1 **Q96. What did you use as the basis for your estimate?**

2
3 A96. We began with the Venture FLEC study and then increased the total number
4 of minutes by a factor of 50, since Alltel has an estimated 700,000 customers
5 in the Minnesota MTA in South Dakota, North Dakota, and Minnesota,
6 which is 50 times more customers than Venture. We then replaced the
7 Venture switch investment with an estimate of the Alltel switch investment.
8 We did this by estimating a \$5,000,000 investment per switch for the four
9 Alltel switches in these states (Bismarck, Fargo, Sioux Falls, and Owatonna).
10 We then estimated the Alltel transport investment by determining the cost to
11 connect their four switches using a fiber optic network. Approximately 650
12 miles of construction was required. We applied the maintenance and
13 overhead rates that were used in the Venture study.

14 **Q97. What was the results of this high-level estimate for the Alltel transport**
15 **and termination rate for reciprocal compensation purposes?**

16
17 A97. The estimated Alltel transport and termination rate was less than \$0.001 per
18 minute to terminate Venture traffic.
19

1 **Q98. Has Venture calculated the impacts that symmetrical reciprocal**
2 **compensation would have on them?**

3
4 A98. Yes, in Confidential Exhibit LDT-D-13, Paragraph I. Under symmetrical
5 compensation, Venture would have to pay a wireless carrier the same amount
6 of reciprocal compensation that Venture receives for the transport and
7 termination of local calls as determined by Venture's costs, even though the
8 wireless carrier's cost would be less. The MOU were determined as
9 explained in the answer to Q92 of this testimony on page 29 beginning with
10 line 8. The Venture forward looking economic cost (FLEC) study rate of
11 \$0.049133 per MOU was utilized. If Venture were to use this rate to
12 compensate wireless carriers to terminate calls, this would result in \$113,486
13 annually. As described previously, if the wireless carriers actual cost to
14 terminate a call is \$0.001, then the cost to Venture for symmetrical reciprocal
15 compensation would be by \$111,176 or \$0.66 per access line per month for
16 Venture.

17 **Q99. How much of the total would be from symmetrical reciprocal**
18 **compensation with Alltel alone?**

19
20 A99. \$76,263 annually or \$0.45 per access line per month.

21 **Q100. How would the reduction in line count affect Venture?**

22
23 A100. A reduction in line count would increase the per subscriber cost of each of
24 the impacts discussed in this testimony, which could lead to more rate
25 increases followed by additional losses in access lines.

26 **Q101. Who is affected by negative financial impacts to Venture?**

27
28 A101. Venture's members/subscribers are affected by negative financial impacts.

1
2 **Q102. How could the estimated increase in costs described in this testimony be**
3 **recovered by Venture?**

4
5 A102. The cumulative impact would be substantial on local service expense and
6 could only be recovered through local service ratepayers by either increasing
7 local rates or decreasing local services.

8 **Q103. Does that conclude your testimony?**

9
10 A103. Yes. However, I wish to reserve the opportunity to supplement this
11 testimony in the future, if necessary.