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July 23, 2007

Ms. Julie Johnson, Hearing Examiner
SD Office of Hearing Examiners
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Pierre SD 57501-5070

RE: IN THE MATTER OF THE PETITION OF VENTURE COMMUNICATIONS COOPERATIVE FOR SUSPENSION OR MODIFICATION OF LOCAL DIALING PARITY RECIPROCAL COMPENSATION OBLIGATIONS
SDPUC Docket File Number TC 06-181 OHE PUC 07-01
GPGN File No. 5925.060651

Dear Ms. Johnson:

Enclosed for filing in the above-referenced docket, please find an original version of the Prefiled Direct Testimony of Ron Williams, submitted as a witness for Alltel Communications.

Please note that both Exhibits to Mr. Williams' testimony are marked "Confidential". Also page 11 of the testimony contains confidential information. Therefore, a confidential version of testimony is attached and the public version is to be filed. There are no attachments to the public version.

A copy of the testimony and Certificate of Service has been provided to all parties, including SDPUC. If you have any questions, please contact me.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosures
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Ben Dickens/Mary Sisak via e-mail
Rich Coit via e-mail
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CERTIFICATE OF SERVICE

I hereby certify that on the ____ day of July, 2007, a true and correct copy of **Alltel Communication, Inc.'s Prefiled Direct Testimony of Ron Williams (Docket TC06-181, OHE 07-01)** was sent electronically to:

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Talbot J. Wieczorek

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PETITION OF VENTURE COMMUNICATIONS COOPERATIVE FOR SUSPENSION OR MODIFICATION OF LOCAL DILAING PARITYAND RECIPROCAL COMPENSATION OBLIGATIONS	))))))))))))	Docket No. TC06-181

TESTIMONY

OF

RON WILLIAMS

ON BEHALF OF ALLTEL COMMUNICATIONS, INC.
(ALLTEL)

PUBLIC VERSION

July 23, 2007

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ron Williams. My business address is 3650 131st Avenue South East, Bellevue, Washington 98006.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed as Vice President – Interconnection and Compliance for Alltel Communications, Inc. ("Alltel"). My duties and responsibilities include developing effective and economic interconnection, reciprocal compensation and operational relationships with other telecommunications carriers, including the establishment of interconnection and reciprocal compensation agreements. I work with other departments and coordinate activities within Alltel to assess company interconnection needs and interface with carriers to ensure arrangements are in place to meet the operational objectives of the company.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I have a BA in Accounting and a BA in Economics from University of Washington. I also have a MBA from Seattle University.

Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Alltel Communications, Inc., which provides commercial mobile radio services ("CMRS") within the State of South Dakota.

Q. WHAT IS YOUR PROFESSIONAL EXPERIENCE IN THE FIELD OF TELECOMMUNICATIONS?

A. I have nineteen years experience in various aspects of the telecommunications industry. My telecom background includes ten years experience working for GTE, including six years in their LEC operations and business development, and four years in wireless operations. I also have four years experience in start-up CLEC operations with FairPoint Communications and Western Wireless. In August of 1999, I began working for Western Wireless, first as Director of CLEC operations and, then as Director of Carrier Relations. Western Wireless was acquired by Alltel in August 2005, and since that time I have worked in my present capacity as Vice President – Interconnection and Compliance, with primary responsibility for interconnection, carrier relations and E911 matters.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE IN SOUTH DAKOTA OR OTHER JURISDICTIONS?

A. Yes, I have testified as the Company' witness in the South Dakota LNP suspension proceedings in 2004 – Docket Nos. TC04-025, et al and I testified in a complaint proceeding in 2006 – Docket No. CT05-001. Most recently I have pre-filed testimony in the Suspension Petition brought by Brookings Municipal Utilities D/B/A Swiftel – Docket No. TC07-007. I have also pre-filed testimony in South Dakota interconnect agreement arbitrations that were ultimately settled prior to hearings. I have also testified in matters before the public service commissions in New Mexico, Michigan, North Carolina, Georgia, Nebraska, Oklahoma and Missouri.

Q: ARE YOU FAMILIAR WITH THE VENTURE PETITION FOR SUSPENSION AS WELL AS THE PREFILED DIRECT TESTIMONY OF RANDY HOUDEK, LARRY THOMPSON AND JOANNE SHOTWELL?

A: Yes. I reviewed and am familiar with those filings.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to challenge the Petitioners' request for suspension or modification of federally mandated dialing parity and reciprocal compensation obligations. Essentially, Venture makes four very broad requests for suspension/modification relief under 47 U.S.C. § 251(f)(2):

- **No requirement to provide local dialing parity to competitors.**
- **No requirement to deliver its subscribers' local traffic, bound for competitors, beyond the Venture local service area.**
- **No requirement to pay reciprocal compensation on its originated traffic terminating to a wireless carrier within the MTA that is delivered by an IXC.**
- **No requirement to pay symmetrical reciprocal compensation.**

Venture's Petition for relief is nothing more than an effort to undermine the competitive balance established under Sections 251 and 252 of the 1996 Telecommunications Act. (the "Act"). Granting any such relief would serve to undermine the level playing field that the Act attempted to establish for the exchange of traffic between two competing carriers. Such action would result in a reversal of the way Venture and its competitor's have interacted in the decade since the Act; set back competition and adversely impact wireless and wireline customers in South Dakota.

Q. PLEASE SUMMARIZE YOUR CONCERNS WITH VENTURE'S REQUESTS?

Venture's requests must be rejected for several reasons. First, Venture's claims and cost projections related to local dialing parity are purely speculative. No carrier, including Alltel, is currently demanding the local dialing treatment or the routing scenarios as described and projected by Venture. Venture's request is premature at best in that it has failed to avail itself or even consider its right, ability and prior success in establishing mutually agreeable interconnection and reciprocal compensation arrangements through good faith negotiations under Sections 251 and 252 of the Act. Venture's cost projections are based upon assumptions that are simply not present today, no evidence is presented that they are likely, and most, if not all claimed costs can be avoided through self help and good faith negotiations with wireless carriers. Venture has successfully negotiated prior agreements with Alltel and other competitive carriers on multiple occasions and should not be permitted any suspension of obligations that would undermine a competitive carrier's rights to conduct such negotiations under the Act. Granting the broad relief requested by Venture will eliminate any incentive on the part of Venture to negotiate future interconnection and reciprocal compensation arrangements.

Even if, for the sake of argument, one assumed that Venture's exaggerated claims are somehow grounded in current reality, its cost projections are fundamentally flawed and grossly overstated. Venture, not surprisingly, relies upon the most inefficient and un-necessarily expensive transport solutions, ignoring other more efficient and less costly interconnection opportunities and options in order to substantially inflate its cost projections.

Finally, contrary to the claims of Ms. Shotwell, Venture has not met or even approached meeting the threshold criteria for a suspension under the Act. Simply claiming (and claiming without adequate explanation or support) a hypothetical increase in costs or loss of revenue is not sufficient grounds for suspension relief under 47 USC § 251(f)(2). The Act, specifically 47 USC § 251(f)(2), anticipates a level of increased cost and lost revenues by the ILEC will result from the competition that is in fact fostered by the Act. Speculative projections of increased costs are not enough to support a suspension. Venture must do much more, it must actually demonstrate a corresponding and real "significant adverse economic impact on users" or an "unduly economically burdensome" requirement on Venture. Anything less than "significantly adverse" or "unduly economically burdensome" falls short of justifying a suspension.

Q. **DOES VENTURE, AS AN INCUMBENT LOCAL EXCHANGE CARRIER, HAVE A DUTY TO PROVIDE DIALING PARITY TO COMPETITORS?**

A. Yes. The Act requires local exchange carriers to provide dialing parity. Specifically, 47 U.S.C. § 251(b)(3) provides that "Each local exchange carrier has...[t]he duty to provide dialing parity to competing carriers of telephone exchange service and telephone toll service, and the duty to permit all such providers to have nondiscriminatory access to telephone numbers, operator services, and directory assistance, with no unreasonable dialing delays." The FCC has clarified this requirement in its regulations stating that "A local exchange carrier (LEC) shall provide local and toll dialing parity to competing providers of telephone exchange service, with no unreasonable dialing delays. Dialing parity shall be provided for all originating telecommunications services that require dialing to route a call." 47 C.F.R. § 51.205 (Dialing Parity: General). In addition, with respect to local services, the FCC specifically clarified the dialing parity requirement in stating that "A LEC shall permit telephone exchange service customers within a local calling area to dial the same number of digits to make a local call notwithstanding the identity of the customer's or the called party's telecommunications service provider." 47 C.F.R. §

51.207 (Local Dialing Parity). Dialing parity is a concept and requirement that simply allows a customer within a local calling area to reach telephone numbers assigned to customers within that local calling area using the same dialing pattern without incurring toll or long-distance charges, regardless of the called party's service provider.

Q. DOES VENTURE CURRENTLY PROVIDE DIALING PARITY/LOCAL DIALING TO CERTAIN OF ALLTEL'S WIRELESS NUMBERS IN SOUTH DAKOTA?

A. Yes, to the best of my knowledge, Venture currently provides local dialing to certain Alltel numbers (NPA-NXX) on a local and on an EAS basis. Alltel has telephone number ranges that Alltel believes are currently (or should be) local calls for Venture end users:

Britton	605-470-0000-9999
	605-448-3000-3159 and 8000-8999
Gettysburg	605-765-4000-4699 and 4700-4799 and 4800-4999
Highmore	605-478-0000-0999
Huron	605-350-0000-9999
Mobridge	605-230-0000-9999
	605-845-4800-4999 and 6000-6999 and 8400-8999
Sisseton	605-268-0000-9999
	605-698-4800-4999
	605-742-3000-3139 and 4000-4799 and 4900-4999
Webster	605-265-0000-9999

Q. HAS VENTURE NEGOTIATED DIALING PARITY/LOCAL DIALING TERMS IN THE PAST?

A. Yes. In Venture's most recent interconnection agreements with wireless carriers in South Dakota, there are negotiated terms that address both party's obligations for the routing of calls.

Q. ARE YOU AWARE OF ANY WIRELESS CARRIER THAT HAS DEMANDED OF VENTURE THAT ALL OF ITS WIRELESS NUMBERS RATED WITHIN THE MTA BE TREATED AS LOCALLY DIALED CALLS?

A. No, in fact Venture does not even assert that wireless carriers have even suggested such a request. Accordingly, Ms. Shotwell's assumption or claim that at least five wireless carriers will demand MTA-wide local calling is pure conjecture and not justification for suspension relief. Venture's assumption with respect to local dialing parity is simply invalid and Venture's cost projections based upon such an assumption are nothing more than idle speculation of worst case and unrealistic scenarios. Contrary to Ms. Shotwell's assertion that Venture is simply attempting to preserve the status quo, granting the broad dialing parity relief requested by Venture would allow Venture to disregard its local dialing parity obligation under any circumstance.

Q. HAVE YOU REVIEWED THE CLAIMED INCREASED COST OF TRANSPORT ASSERTED IN THE PETITION AND MR. THOMPSON'S TESTIMONY?

A. Yes. The Petition and testimony of Mr. Thompson attempt to demonstrate the economic costs associated with exaggerated means of Venture's compliance with its local dialing parity obligations under the Act. Mr. Thompson poses three individual scenarios and Venture's corresponding transport solution and estimated cost to deliver Venture originated traffic to hypothetical distant Points of Interconnection (POIs) with CMRS carriers. Venture's cost projections for their transport solutions, as put forth by Mr. Thompson in his testimony and attached exhibits, are (i) based on several false and unrealistic assumptions – No carrier has demanded the local dialing parity treatment or points of interconnection as assumed by Venture; (ii) exaggerated costs estimates – Venture has conveniently ignored substantially less expensive and more realistic options for transport of traffic; and (iii) fails to even evaluate or consider other transport options and opportunities – Venture has failed to recognize its ability to negotiate mutually agreeable interconnection points and transport options[1].

Q. DO YOU AGREE WITH VENTURE'S COST PROJECTION IN SCENARIO 1 OF EXHIBIT LDT-D-6, RELATING TO DIALING PARITY TRANSPORT COSTS?

A. No. There are several common sense short-comings with respect to Scenario 1. The largest of which is the fact that it relies upon the premise that Alltel will have only one direct POI located in the Central region of Venture's service territory which would then require Venture to incur the cost of transport of its traffic that originates in Venture's "Northeast region" to its "Central Region" POI – at a cost estimated by Venture of $37,365. Alltel currently has POIs in both Venture's "Central" and "Northeast" regions. The existence and continued use of one of Alltel's two POIs in the Northeast, Verizon's two POIs in the 'Central' region, and RCC's POI in the 'Northeast' region completely eliminates the cost of transport alleged by Venture. Accordingly, there is no real-world basis for the claim that Venture would incur an additional $37,365 of transport costs as a result of these wireless carriers' continued presence in the market.

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[1] Venture's most recent interconnection agreements with wireless carriers, which were negotiated by Venture which certainly address traffic routing and points of interconnection, do not comport with the point of interconnection scenarios theorized in Venture's claims. In fact, Venture has successfully negotiated and implemented multiple points of interconnection as evidenced in their Exhibit Q5 response to Alltel's Interrogatory 5 (See attached Exhibit Q5).

Even assuming the existence of only one wireless carrier POI in the 'Central' region, the Venture cost projections are still overstated. The methodology used imputes costs for Airline Miles that includes mileage over Venture's existing high-capacity fiber network which, however, represent little, if any, additional expense to Venture. Further, the actual 'off network' airline mileage between points on Venture's 'Central' region fiber ring and their 'Northeast' region fiber ring is more accurately in the range of 75–80 miles[2], not the 117-141 miles identified and relied upon in Column D of Venture Exhibit LDT-D-6. Finally, the DS1 rate identified by Venture in Column E as \$6.00 per Airline Mile per Month is the SDN[3] retail rate and is not reflective of Venture's true cost of transport. Accordingly, Venture's claimed cost of \$37,365 in Scenario 1 should be totally eliminated from any analysis or at worst reduced to reflect an appropriate cost estimate.

Q. DO YOU AGREE WITH MR. THOMPSON'S TRANSPORT COST TESTIMONY RELATED TO SCENARIO 2?

A. No. Scenario 2 purports to estimate the costs of transporting Venture originated traffic to a POI in Sioux Falls, SD. Venture makes the assumption that five wireless carriers will seek a POI with Venture in Sioux Falls. Scenario 2 suffers from some of the same short-comings as Scenario 1. First, the estimate assumes 5 active wireless

[2] Venture has calculated three separate routes from its 'Northeast' region fiber ring to a Highmore (which is located on Venture's 'Central' region fiber ring. This approach, in essence, triples the distance from one existing hi-capacity fiber ring to another. Furthermore, the off-net distance to span Venture's existing fiber rings is only 75 miles between Roslyn and Hitchcock or 80 miles between Britton and Roscoe; only two-thirds the shortest distance claimed by Venture.

[3] SDN (aka South Dakota Network) is owned, in part, by Venture Communications and, among other things, is a provider of special access services in the state of South Dakota.

carriers – today however, I am aware of only three wireless carriers (Alltel, Verizon Wireless and RCC)[4] operating within Venture's service territory. More importantly, Venture makes the unsupported assumption, which is inconsistent with current conditions, that each carrier will demand a single POI in Sioux Falls. Venture has acknowledged that it currently has established direct POIs within its network/service territory with all three existing wireless carriers - Alltel, Verizon Wireless and RCC.[5] There is nothing in the record to even suggest that any of those three carriers operating in the area have sought or will seek to abandon the use of the previously established direct POIs within Venture service territories in favor of a distant POI in Sioux Falls. Venture simply makes such an assumption to artificially inflate its estimate of transport costs. Accordingly, Venture's entire Annual Cost estimate of $204,840 in Scenario 3 should be completely eliminated from any reasonable cost analysis.

Even assuming, for the sake of argument, that each wireless carrier decided to abandon previously established POIs on Venture's network and instead establish a POI in Sioux Falls, Venture's estimated costs of transport are inappropriately inflated. The Annual Cost of $204,840 identified in Column (F) should be reduced by simply utilizing alternative transport facilities than the SDN facilities and rates cited. For example, Venture could utilize a different special access provider to route traffic from

[4] Excluding paging

[5] The inclusion and consideration of 2 additional wireless carriers within Scenario 2's cost estimate is pure speculation given their absence from the market today.

its network to Sioux Falls or Venture could transport wireless traffic on more efficient shared transport facilities to Sioux Falls than those it assumed.

Even if for the sake of argument it is assumed SDN transport facilities are somehow the only available transport option, the retail DS1 rate of $6.00 per Airline Mile per Month identified in Column (E) of the Exhibit is again inappropriate and should be reduced accordingly. For example, Alltel uses the same type of service from SDN at a much lower rate than the retail price identified by Venture.[6]

Q. DO YOU AGREE WITH MR. THOMPSON'S TRANSPORT COST TESTIMONY RELATED TO SCENARIO 3?

A. No. Scenario 3 attempts to estimate the transport costs involved in transporting Venture originated traffic first to a POI in Sioux Falls then on to another distant POI within the MTA. In Scenario 3 Venture makes the unsupported assumption that Alltel and Verizon would select a POI in Sioux Falls and two other national wireless carriers (not currently providing service in the area) would select a POI in Minneapolis, MN and a regional carrier (RCC – who already has a POI in Venture's 'Central' region) would select a POI in another unnamed major city within the MTA. Scenario 3 simply brings the entire annual costs Venture has projected for Scenario 2 down ($204,840) and then adds Venture's projected cost ($292,313) of transporting the traffic for the regional carrier and two non-existent national carriers beyond Sioux Falls to other distant POIs – Minneapolis and another unnamed city.

[6] CONFIDENTIAL: Alltel leases a DS1 circuit from SDN Sioux Falls to Venture's Britton end office switch at a rate of [Confidentail] per month. This rate is [Confidentail] less than the rate used by Venture in its calculation for the same route (see Exhibit LDT-D-6 'Britton to SDN All Trunks Combined'.

Scenario 3 suffers from the same shortcoming identified in Scenario 2 as Venture simply assumes existing carriers (Alltel, Verizon Wireless and RCC) will abandon current POIs within Venture's service territory and that two other carriers will suddenly appear and offer service in the area for the first time <u>and</u> select distant POIs. Venture is arguing that 5 DS1s will somehow be necessary to handle traffic to two unnamed national carriers who currently do not provide service in the area. Scenario 3 is again nothing more than pure speculation on the existence of additional carriers and the use of distant POIs in order to justify an inflated cost estimate. This blatant cost inflating not only reflects inefficiencies and short-sighted solutions for transport, it is grossly speculative and therefore inappropriate to support claims for any suspension of the Act.

The most probable outcome of negotiated traffic exchange relationships with existing carriers, like Alltel, will be continued use of some or all of the existing POIs within Venture's Service territory; thereby eliminating those transport costs claimed by Venture that are associated with the Sioux Falls POI. Moreover, any transport cost associated with speculative traffic volumes from non-existent national carriers to other distant POIs must also be eliminated.[7] Accordingly, Venture's entire estimated annual cost of $497,153 in Scenario 3 is properly eliminated from any reasonable costs analysis.

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[7] It appears Venture has assumed that new wireless carriers to the market will not simply win existing customers from existing wireless carriers, but will somehow generate substantial increases in wireless customers and market penetration of wireless service.

Q. MR. THOMPSON IDENTIFIES STRANDED INVESTMENT IN THE AMOUNT OF $39,947 WITHIN HIS TESTIMONY AND EXHIBIT LDT-D-8, DO YOU BELIEVE IT IS APPROPRIATE TO INCLUDE THIS AMOUNT WITHIN THE ESTIMATED COSTS?

A. No. The stranded investment claim of $39,947 represents the cost involved in previously establishing the direct POIs with existing wireless carriers. As discussed above, there is no evidence that any wireless carrier is seeking or will seek to abandon the previously established POIs within Venture's service territory in favor of distant POIs. The continued existence of POIs within Venture service territory detracts from and undermines Venture's estimated costs of transport to distant POIs in Scenarios 1, 2 and 3. Furthermore, to the extent there is any stranded investment as a result of Venture's dealings with wireless carriers, such investment represents a sunk cost to Venture and would not contribute to Venture's economic burden claim. It is also worth noting that Venture is already recovering significant amounts of Universal Service Funding ('USF') for its copper loops and it is likely that Venture's loop costs (for active and stranded plant) would continue to be supported by USF. And, finally, Venture also claims the abandonment of $7,000 worth of DS1 line cards but elsewhere Venture claims it will need to purchase those same line cards.[8]

Q. DO YOU AGREE THAT SEEKING THE RELIEF OF "NO REQUIREMENT TO TRANSPORT CALLS OUTSIDE THE VENTURE SERVICE TERRITORY" IS PROPERLY CHARACTERIZED AS A SUSPENSION OF A DIALING PARITY OBLIGATION?

No. Venture has undoubtedly sought a suspension of its entire dialing parity obligation under 47 U.S.C. § 251(b)(3) by seeking the relief of "no requirement to provide local dialing parity." *See Petition,* p. 4. However, despite this very clear, but

[8] See Exhibit LDT-D-6 'Non-recurring Facility Costs'

broad, request for dialing parity relief, Venture also seeks, under the guise of dialing parity, to relieve itself of any requirement to transport traffic beyond its service territory. What Venture is really seeking to do is avoid its obligation to interconnect and exchange traffic indirectly. Venture is seeking to force a competitor to establish a direct connection with Venture in order to obtain dialing parity. There is no basis for compelling a carrier to deliver traffic via a direct connection. Further, there is no basis for compelling a wireless carrier to establish a direct connection at the whim of incumbent local exchange carrier (ILEC) in order to receive traffic at a location in an ILEC service area.

There are basically two ways, each provided in the Act, for competitors to exchange traffic – directly or indirectly. A direct connection is an actual linking of the two parties' networks and the parties exchange traffic via that link – sort of like two cans and a string, the cans are the networks and the direct connection through which all traffic flows is the string. However, under the Act the parties may also interconnect and exchange traffic indirectly. "Each telecommunications carrier has the duty…to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers." 47 U.S.C. § 251(a)(1). Indirect interconnection involves the use of a third-party, e.g. Qwest, for the exchange of traffic. Indirect connection is often a more efficient and cost effective way to exchange traffic when the volume of traffic between two carriers is relatively low or the cost of direct interconnect facilities is high. In seeking to avoid the cost of transport under the guise of a dialing parity suspension, Venture is seeking to force direct connectivity.

However, the obligation to provide for indirect interconnection and exchange of traffic is mandated by an entirely different section under the Act – 47 U.S.C. § 251(a)(1). The two obligations (indirect interconnection and dialing parity) are separate obligations required by different sections of the Act and the direct/indirect interconnection obligation is not subject to suspension under Section 251(f)(2) of the Act. Both the 8th and 10th Circuit Court of Appeals have provided that the two obligations are entirely separate under the Act and a ILEC like Venture may not require direct connectivity in order to provide dialing parity. *See Atlas Tel.Co. v. Oklahoma Corp. Comm'n*, 400 F.3d 1256(10th Cir. 2005); *WWC License, L.L.C. v. Boyle*, 459 F.3d 880 (8th Cir. 2006). Simply put, Venture is trying to obtain through the back door, suspension of a section of the Act for which no suspension can be granted. Venture's motivation to have the Commission mandate direct connectivity under the pretence that it is seeking to suspend its dialing parity obligation is due to the fact that indirect interconnection under 47 U.S.C. 251(a)(1) is not within the scope of relief available in a suspension petition under 47 U.S.C. § 251(f)(2).

Q. WILL VENTURE BOTH PAY AND RECEIVE RECIPROCAL COMPENSATION FOR LOCAL TRAFFIC EXCHANGED WITH WIRELESS PROVIDERS?

A. Yes. Each local exchange carrier has a "duty to establish reciprocal compensation arrangements for the transport and termination of telecommunications." 47 U.S.C. § 251(b)(5). Additionally, FCC rules provide that reciprocal compensation applies to traffic exchanged between an ILEC and wireless provider that "at the beginning of the call, originates and terminates within the same Major Trading Area (MTA)…." 47 C.F.R. § 51.701(b)(2).

Q. DO YOU AGREE WITH MR. THOMPSON'S TESTIMONY AND ECONOMIC ANALYSIS IN EXHIBIT LDT-D-9 RELATED TO AN INCREASE IN RECIPROCAL COMPENSATION EXPENSE?

A. No. Mr. Thompson uses a speculative, unproven, and unsupported rate that does not comport with reciprocal compensation rates that Venture has negotiated and pays today and his testimony fails to take into account the offsetting revenue Venture would receive as a result of payment to Venture of reciprocal compensation charges by the wireless carriers. The reciprocal compensation revenue Venture would receive will offset or mitigate some increase in reciprocal compensation expenses. For example, if the balance of traffic between mobile originated and landline originated calls is in the neighborhood of 70/30 – 30% landline originated traffic and 70% mobile originated traffic. Using that balance of traffic ratio would mean that if Venture's total landline originated minutes is 2,309,759, as identified in Column (c) in Exhibit LDT-D-9, then the mobile originated minutes would be 5,389,437. Using the $.049 cost per minute from Venture's referenced (but unsupported) Forward Looking Economic Cost ('FLEC') study would provide Venture $264,799.20 in reciprocal compensation revenues from wireless carriers which more than covers the additional expense of $113,486 identified in Column (G) of Exhibit LDT-D-9. Using the existing reciprocal compensation rate identified in paragraph 2 of the Exhibit, Venture would receive $48,504.33 which again, more than offsets the additional expense of $20,788 identified in Column (G) of the Exhibit. Contrary to Venture's claims, the impact to Venture from reciprocal compensation is a net ***positive*** economic impact (potentially more than $1,000,000). The attached Exhibit RW1 is a summary of the impact Venture failed to include in its testimony.

Additionally, other options are available to Venture at its election to avoid or reduce an increase in reciprocal compensation expense. Venture could seek a lower reciprocal compensation rate with competitors or advocate a "bill and keep" reciprocal compensation arrangement which would eliminate the expense entirely. Either of these will reduce or eliminate its reciprocal compensation expenses.

Q. HAS VENTURE PROPERLY REFLECTED ITS FINANCIAL RECOURSE FROM THE NECA OR LECA POOLS?

A. In his direct testimony Venture Witness Thompson describes the financial impacts of increased costs and reduced access revenues to the NECA and LECA pools. His description fails to recognize the separations "freeze" which has been in effect for over 5 years. The "freeze" essentially "de-links" the allocation of traffic sensitive costs from a relative change in the distribution of traffic minutes of use. Although Alltel is unable to duplicate the calculations that Witness Thompson shows in his Exhibit 7, he has clearly overstated the financial impact to both Venture and the LECA pool.

Q. DO YOU HAVE ANY ISSUES WITH THOMPSON'S PROJECTED TRAFFIC VOLUMES ON WHICH MANY OF VENTURE'S CLAIMED COSTS WERE BASED?

A. Yes. Mr. Thompson's calculation of land-to-mobile traffic seemed to be based on several compounded assumptions. First, an assumption is made that today's land-to-mobile usage levels will increase by more than 75% and, in spite of claimed competition from two unnamed additional national wireless, Mr. Thompson predicts Alltel will capture an amazing 57% market share. Mr. Thompson's future usage predictions also include an assumption that Venture will reverse its declining line growth and avoid the transition of usage to Voice over IP (VoIP) services common in areas where broadband services are available. These assumptions are combined together to produce an unrealistic and unsupported demand level for the land-to-mobile traffic volumes that drive Venture's cost claims.[9]

Q. DO YOU BELIEVE THERE ARE ANY OTHER ISSUES WITH THOMPSON'S TESTIMONY AND EXHIBITS?

A: Yes. Exhibit LDT-D-B identifies a loss of $366,468 in access revenue as a result of treating calls from its subscribers to certain wireless numbers as local rather than toll. If certain calls are properly recategorized as local calls rather than toll, Venture would no longer be able to collect access charges on such calls. Venture's analysis and conclusions are flawed for at least two reasons. One, the analysis is inflated, because the use of a stimulation factor of 3.31 in Column (D) is inappropriately high. That factor is based upon 1994 calling data – which is now 13 years old. Most of the wireline toll traffic migration to wireless phones has already taken place with the advent of expanded local calling from a wireless phone.[10] A change in points of interconnection or change in intercarrier compensation between Venture and the wireless carriers will not alter the wireless carriers' retail relationships with customers. Wireless companies implemented local calling scopes that far exceed those of wireline companies many years ago. Therefore, customers have already benefited by use of wireless phones rather than wireline telephones to replace toll

[9] Alltel will offer further analysis of Venture's traffic volume claims when Venture produces the detailed worksheets that support Venture's Exhibits as well as responses to our data requests for detailed traffic data.

[10] When Alltel is able to obtain the Venture end office traffic data requested in discovery, the data should permit a demonstration of why the stimulation factor used by Venture is too high.

calling. Substantial more stimulation will not occur by implementation of the obligations that Venture seeks to avoid.

Stimulation factors that are well over 10 years old are no longer appropriate. The advent of extensive flat rate calling plans, reduced toll rates and unlimited or large scale calling plans have created a reduced consumer concern with the "type" of call (toll, local, EAS etc.). In most instances consumers are unaware of the distinctions and are no longer monitoring their communications budget on a call-by-call basis. Toll and wireless carriers have been successful in eliminating call jurisdiction distinctions. If Venture feels that stimulation is still an issue a more recent study would be required.

However, and more importantly, to the extent Venture subscribers no longer have to pay toll charges for calls that are changed from toll to local, those subscribers would certainly be benefited. This end user benefit contradicts Venture's claim that the reduction in its access revenue would lead to "adverse economic impact" on its end-users. Local dialing would result in just the opposite for the end-user consumer – a positive economic impact perhaps at more than a dollar for dollar increase[11].

Q. IN YOUR OPINION HAS VENTURE DEMONSTRATED A SIGNIFICANT ADVERSE ECONOMC IMPACT OR UNDUE ECONOMIC BURDEN AS REQUIRED UNDER 47 U.S.C. § 251(F)(2)?

No. Suspension/modification relief under 47 U.S.C. § 251(f)(2) is only appropriate when it is <u>necessary</u> to (i) avoid a significant adverse economic impact on users of

[11] Since Venture would only lose wholesale access charges it is likely that Venture end users are paying retail rates that are higher than a long distance carrier's cost. If so, for every dollar reduction in access charges, end users who would have had to dial toll would save more than a dollar in their retail charges.

telecommunications services generally; (ii) avoid imposing a requirement that is unduly economically burdensome; or (iii) to avoid imposing a requirement that is technically infeasible; and is consistent with the public interest, convenience and necessity. Contrary to Venture's proffered financial projections/estimates, the statutory threshold for suspension relief requires more than a simple showing of increased cost or lost revenue – there must be an appreciable and significant impact that follows. The Act contemplates and allows for some increased economic burden resulting from competition, i.e. anything short of significant adverse and unduly economic burdensome is not enough. Relief is only appropriate in extraordinary circumstances – this is not one of those circumstances. Although Mr. Thompson has provided some inflated cost projections, he has not attempted to demonstrate the <u>impact</u> of the alleged increased costs or lost revenues. Venture attempted to analyze only one part of the necessary calculation and has not met the standard of the Act. Again, 47 U.S.C. § 251(f)(2) requires more than a simple showing of increased costs or loss of revenues. In order to understand and evaluate a true economic impact of such costs or revenue changes it is necessary to demonstrate and analyze the current overall financial condition of Venture and then demonstrate the impact of a loss of revenues or increased expense on the overall financial condition and even then the impact must rise to the extreme level or standard of the Act before suspension of requirements may be granted. Obviously some level of increased costs or loss of revenues can and must be absorbed by the ILEC or replaced through other means before the impact becomes "significant" or "unduly economically burdensome".

Proper analysis of any impact(s) must also include an evaluation of any inefficiency of Venture's operations, network or practices – an increased cost, loss of revenues and increased competition present an opportunity and requirement that the ILEC become more efficient and competitive to alleviate the actual impact. Put another way, Venture has not met its burden and is not entitled to the extraordinary relief requested.

Based on the information provided by Venture, and other publicly available information it is clear that Venture is financially strong and even if its projected increased costs and lost revenues were somehow accurate and legitimate, Venture will not be forced to sustain an undue economic burden.

Q: PLEASE EXPLAIN SOME OF THE INDICATORS THAT LEAD YOU TO BELIEVE THAT VENTURE IS A FINANCIALLY STRONG AND HEALTHY ENTITY ABLE TO ABSORB AN INCREASED LEVEL OF COSTS AND LOSS OF REVENUE?

A. Venture's financial statements indicate that Venture has substantial resources to weather even the inflated economic impact claimed in Mr. Thompson's testimony.

- Venture's 2006 balance sheet indicates they have been able to increase their cash reserves from $11.8M in 2003 to $17.3M in 2006, a 47% increase. Just the interest on this cash balance alone would more than cover the additional costs claimed by Mr. Thompson.
- Venture annually retires more than $1M in patronage capital credits.[12]

[12] A patronage capital credit is, in essence, a refund of rates paid by cooperative members. Put another way, cooperative members are like shareholders/owners of the cooperative and they receive distributions or dividends in the form of patronage credits.

- In spite of small access line loss (lower than the national average) and decreases in access minutes of use, Venture maintained a return on equity of more than 13% over the last four years.
- Venture's equity balance from 2004 to 2006 increased 24%.
- Venture's USF support more than doubled since 2002 to an annual total of more than $5M.
- Venture's claimed and inflated toll revenue loss due to obligations under the Act represent less than 2% of their 2006 operating revenues
- Venture's claimed and inflated transport expense due to obligations under the Act represents less than 1.6% of their 2006 operating expenses.
- Venture provisioned almost 5,000 DSL lines in 2006 and spent $4M in plant investment and $200K in operating expense to fund this "instant" deployment of DSL. Venture's claimed expense increases to adhere to its local dialing parity obligations and Venture's claimed shift in access revenues pale in comparison to this discretionary investment made by Venture.

These financial indicators all stand in stark contrast to Venture's claim that fulfilling its obligations under the Act would be "unduly economically burdensome". Venture simply has not provided evidence that is in the least bit compelling that its requested suspension is warranted.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.