



REGULATORY CONSULTANTS

ANDREW O. ISAR

7901 SKANSIE AVENUE,  
SUITE 240  
GIG HARBOR, WA 98335  
TELEPHONE: 253.851.6700  
FACSIMILE: 253.851.6474  
HTTP://WWW.MILLERISAR.COM

Via Electronic Delivery

September 11, 2007

Ms. Patty Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
Capital Building, 1<sup>st</sup> Floor  
500 East Capitol Avenue  
Pierre, SD 57501-5070

RE: Granite Telecommunications, LLC Petition for Exemption

Dear Ms. Van Gerpen:

Pursuant to the Commission's July 15, 2004 *Order Granting Petition for Waiver* in TC04-94,<sup>1</sup> enclosed for filing with the South Dakota Public Utilities Commission ("Commission") is an electronic copy of Granite Telecommunications, LLC's ("Granite") *Petition* for exemption. By its *Petition*, Granite, requests a continuation of its exemption from developing company-specific cost-based switched access rates; adoption of the switched access rate formula set forth in ARSD 20:10:27:12; and calculation of billing and collection costs as set forth in ARSD 20:10:27:13. Granite further petitions the Commission for exemption from the requirement that Granite file cost data in support of its switched access service tariff no less than once every three years, as set forth in ARSD 20:10:27:07.

Please confirm receipt of this filing by return electronic mail. Thank you for your attention to this matter. Questions may be directed to the undersigned.

Sincerely,

MILLER ISAR, INC.

Andrew O. Isar

Enclosure

Regulatory Consultants to  
Granite Telecommunications, LLC

<sup>1</sup> See, *In the Matter of the Filing by Granite Telecommunications, LLC for Approval of Its Intrastate Switched Access Tariff and For An Exemption From Developing Company Specific Cost-Based Switched Access Rates*, TC-04-094, *Order Granting Petition for Waiver* (July 15, 2004), at Ordering paragraph 2.

**STATE OF SOUTH DAKOTA  
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Petition of )  
 )  
Granite Telecommunications, LLC ) Docket No. TC07 - \_\_\_\_\_  
for Exemption from the Cost Support )  
Requirements )

**PETITION**

Granite Telecommunications, LLC (“Granite” or “Petitioner”), pursuant to ARSD 20:10:27:11 and ARSD 20:10:27:02, hereby petitions the South Dakota Public Utilities Commission (“Commission”) for a continuation of Granite’s exemption from: 1) developing company-specific cost-based switched access rates; 2) adoption of the switched access rate formula set forth in ARSD 20:10:27:12; and 3) calculation of billing and collection costs as set forth in ARSD 20:10:27:13. Granite further petitions the Commission for exemption from the requirement that Granite file cost data in support of its switched access service tariff no less than once every three years, as set forth in ARSD 20:10:27:07. Such exemption is predicated on Granite’s commitment to mirror applicable Qwest Corporation’s (“Qwest”) switched access charges, as contained in Qwest’s South Dakota Access Services Tariff, on an ongoing basis, and is consistent with recent extension petitions filed by Granite’s competitors, which have been granted by the Commission. Granite seeks Commission for approval of its amended access services rates, attached hereto at Appendix 1, accordingly.

In support of its requests, Granite states as follows:

## **I. PETITIONER**

Granite is a Delaware limited liability corporation authorized to provide facilities-based local exchange service in South Dakota pursuant to the Certificate of Authority, issued December 19, 2003 in Docket No. TC03-188.

## **II. CONTACT INFORMATION**

Correspondence or communications pertaining to this petition should be directed to:

Andrew O. Isar  
Miller Isar, Inc.  
7901 Skansie Avenue, Suite 240  
Gig Harbor, Washington 98335  
Telephone: 253.851.6700  
Facsimile: 253.851.6474

and to:

Timothy J. French  
Assistant Corporate Counsel  
Granite Telecommunications, LLC  
100 Newport Avenue Ext.  
Quincy, Massachusetts 02171  
Telephone: 617.933.7381  
Facsimile: 866.914.0228

## **III. DESCRIPTION OF PETITION**

Pursuant to ARSD 20:10:27:11, a telecommunications company may petition the Commission for exemption from the requirements of developing intrastate switched access rates based on company-specific costs. ARSD 20:10:27:11 establishes that “the burden of proof is on the company to show that it lacks the necessary financial, technical, or managerial resources needed to determine company-specific cost-based intrastate switched access rates or that the additional costs associated with developing company-specific cost-based intrastate switched access rates outweigh any benefit to the consumer or customer.” Upon such a showing, the

Commission may further grant, for good cause, a waiver or suspension of any rule in chapters 20:10:27 to 20:10:29, inclusive, under ARSD 20:10:27:02.

By the instant Petition, Granite demonstrates that it meets the tests of ARSD 20:10:27:11 for exemption, as it continues to lack the financial, technical and managerial resources necessary to determine Company-specific cost-based intrastate switched access rates, and that the additional costs associated with developing company-specific cost-based intrastate switched access rates outweigh any benefit to the consumer or customer, as it did at the time of its initial exemption Petition. In so doing, Granite requests, for good cause shown, exemption from ARSD 20:10:27:12 so that Granite may continue to mirror applicable Qwest tariffed switched access rates; exemption from ARSD 20:10:27:13, so that Granite will not be required to calculate billing and collection costs based on telecommunications companies with less than 100,000 access lines; and exemption from ARSD 20:10:27:07, so that Granite is not required to file cost data in support of its switched access service tariff once every three years.

#### **IV. BACKGROUND**

On May 8, 2004, Granite filed its initial Petition for exemption under ARSD 20:10:27:11 following Commission approval of Granite's application for authority to provide facilities-based and resold local exchange and resold interexchange services.<sup>1</sup> Granite subsequently requested exemption from developing company-specific cost-based switched access rates, adoption of the switched access rate formula set forth in ARSD 20:10:27:12, and from calculation of billing and collection costs as set forth in ARSD 20:10:27:13. On June 8, 2004, Granite filed staff-requested amendments to its exchange access tariff, South Dakota P.S.C. No. 3.

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<sup>1</sup> Docket TC03-188.

On July 15, 2004, the Commission granted Granite's Petition,<sup>2</sup> stating,

The Commission voted to grant the petition for exemption from developing company specific cost-based switched access rates pursuant to ARSD 20:10:27:11, grant a waiver of the use of the formula in ARSD 20:10:12, so as to mirror the Qwest Corporation tariffed access rates, grant a waiver of ARSD 20:10:27:07 and 20:10:27:13, and approve Granite's intrastate switched access tariff.

The Commission did not then grant Granite's request for exemption from the provisions of ARSD 20:10:27:07, and ordered that Granite file a petition to continue the exemption granted or file cost-based rates within three years of the date of the Order. Granite now renews its request for exemption following passage of three years from the date of the Order as directed by the Commission.

Granite further now again petitions the Commission for exemption from the requirement that Granite file cost data in support of its switched access service tariff no less than once every three years pursuant to ARSD 20:10:27:07. Granite understands that the Commission has recently granted like requests when predicated on a commitment to mirror Qwest switched access rates,<sup>3</sup> as Granite so commits.

## **V. REQUESTS FOR EXEMPTION**

Granite reiterates the basis for its initial exemption requests. Although Granite has achieved market success over the course of the past three years since its initial 2004 exemption petition, Granite's ability and costs to develop switched access cost support data and meet the obligations of ARSD 20:10:27:07, 20:10:12, and 20:10:27:13, coupled with the limited extent of its South Dakota operations remains unchanged, and necessitate the instant exemption requests.

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<sup>2</sup>See, *In the Matter of the Filing by Granite Telecommunications, LLC for Approval of its Intrastate Switched Access Tariff and For and Exemption from Developing Company Specific Cost-Based Switched Access Rate*, Docket No. TC04-094, *Order Granting Petition for Waiver* (July 15, 2004) ["Order"].

<sup>3</sup> See, e.g. *In the Matter of the Filing by Matrix Telecom, Inc. d/b/a Matrix Business Technologies for an Exemption from Developing Company Specific Cost-Based Switched Access Rates*, Docket No. TC07-020, *Order Approving Tariff and Granting Petition for Waiver* (July 2, 2007). Matrix Telecom, Inc. was authorized to "mirror Qwest Corporation's switched access rates and file adjustments to its switched access rates so long as those adjustments either mirror Qwest Corporation's rates or are lower or until the Commission shall otherwise order."

A. Request for Exemption from the Requirements of Developing Intrastate Switched Access Rates Based on Company-Specific Costs

1. Rate of Return-Based Cost Studies Are Not Easily Adaptable to Competitive Carriers Such as Granite.

Pursuant to ARSD 20:10:27:06, each carrier's carrier or association shall file a tariff that is designed to recover no more than its intrastate switched access costs as determined by the Commission and developed pursuant to chapters 20:10:28 and 20:10:29, including a commission-approved return on investment. The evaluation of costs described in the Commission's Administrative Rules entails a cumbersome and complicated process of cost separations and allocation ("fully allocated" cost studies), which historically has been relevant only to rate of return companies. An integral part of the ratemaking process for these companies also has included a determination of a company-specific rate of return. As a competitive carrier, Granite is not subject to rate-of-return. The development of cost studies consistent with Commission formulae would be complex and challenging to apply with accuracy.

2. Granite Does Not Have the Resources to Conduct Detailed Cost Studies Required under Commission Rules

Granite's underlying network costs are primarily based on the costs of network services provided by underlying carriers. As a result, Granite does not conduct, nor does it have staff that would otherwise be needed to conduct, detailed network service cost analyses, including fully allocated service costs, by state. Granite therefore lacks the expertise to prepare the type of cost studies that are contemplated under chapters 20:10:28 and 20:10:29. Further, Granite has never had any reason to evaluate its costs in the same manner as incumbent, rate of return-regulated companies. Even if Granite could prepare such cost studies, the results would be of dubious accuracy for a competitive service provider that is not regulated on a rate of return basis, as noted *supra*.

3. The Costs Associated With Developing Company-Specific Cost-Based Intrastate Switched Access Rates Outweigh Potential Benefits to the Consumer or Customer

Requiring companies like Granite to prepare cost studies would diminish the potential benefits of competition in the telecommunications market by making entry prohibitively expensive for facilities-based local exchange carriers, with virtually no countervailing benefit to the public. And, added costs associated with building expertise in-house to perform such costs studies or outsourcing the function could compel the company to increase its rates, thus undermining its attractiveness to prospective South Dakota subscribers.

Granite's provision of service as a competitive carrier, its lack of resources and expertise to conduct state-specific cost studies, and the excessive compliance costs, each militate toward exemption from the Commission's switched access rate cost study requirements.

B. Request for Exemption From ARSD 20:10:27:12 Cost Formulae.

ARSD 20:10:27:12 specifies that the intrastate switched access rates and the calculation thereof for a telecommunications company that is granted exemption pursuant to ARSD 20:10:27:11 are to be based on "the costs of all the telecommunications companies with less than 100,000 access lines that determine switched access costs pursuant to chapters 20:10:28 and 20:10:29." Granite respectfully requests exemption from ARSD 20:10:27:12 through its ongoing commitment to mirror the Qwest tariffed access rates. As a mirroring of Qwest's switched access rates has been apparently recognized by the Commission as effectively enabling a competitive carrier to meet the requirements under ARSD 20:10:27:12, good cause is shown for the Commission's grant an exemption of this requirement to Granite.

C. Request for Exemption from the Billing and Collection Requirements of ARSD 20:10:27:13

Should the Commission exempt Granite from ARSD 20:10:27:12 as requested, Granite further requests a continued exemption from the requirement that it determine billing and collection costs based on the average of such costs for all telecommunications companies with less than 100,000 access lines. This request is made on the same basis as Granites continued exemption from ARSD 20:10:27:12, *supra*, including Granite's commitment to mirror Qwest switched access rates.

D. Request for Waiver or Suspension of ARSD 20:10:27:07

Granite's initial Petition sought exemption from ARSD 20:10:27:07, the requirement for filing a switched access cost study or exemption Petition every three years. Although Granite's request for exemption of ARSD 20:10:27:07 was rejected, Granite understands that more recently the Commission has granted similar requests for exemption from ARSD 20:10:27:07. Granite's renewed request for exemption from ARSD 20:10:27:07 is consistent with similar requests that have already been granted by the Commission. Granite reiterates its commitment to mirror Qwest's South Dakota switched access rates as reflected in it's the proposed amended pages to its switched access tariff, South Dakota P.S.C. No. 3, attached hereto at Appendix 1.

WHEREFORE, for the reasons state above, Granite petitions the Commission for a continued exemption from developing company-specific cost-based switched access rates and related requirements, for exemption from the three year filing requirement in ARSD 20:10:27:07, and for approval of Granite's amendments to its switched access tariff which mirror Qwest's switched access rate.

(Signature on following page.)



Respectfully submitted this 10<sup>th</sup> day of September, 2007.

Granite Telecommunications, LLC

By 

Rand Currier  
Chief Operating Officer  
Granite Telecommunications, LLC  
100 Newport Avenue Ext.  
Quincy, Massachusetts 02171  
Telephone: 617.933.5500  
Facsimile: 866.914.0228

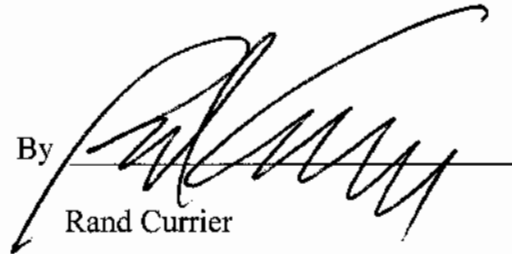
Andrew O. Isar  
Miller Isar, Inc.  
7901 Skansie Avenue, Suite 240  
Gig Harbor, WA 98335

Regulatory Consultants to  
Granite Telecommunications, LLC

**VERIFICATION**


I, Rand Currier declare under penalty of perjury, that I am Chief Operating Officer of Granite Telecommunications, LLC, Petitioner in this proceeding; that I am authorized to make this verification on the Petitioner's behalf; that I have read the foregoing petition; and that the facts states therein are true and correct to the best of my knowledge, information and belief.

By

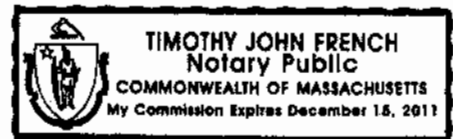


Rand Currier

Sworn to and subscribed before me this 10<sup>th</sup> day of September, 2007.

  
Notary Public

My Commission expires: 12/15/2011



**STATE OF SOUTH DAKOTA  
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Petition of )  
 )  
Granite Telecommunications, LLC ) Docket No. TC07 - \_\_\_\_\_  
for Exemption from the Cost Support )  
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**EXHIBIT A**

**PROPOSED AMENDMENTS TO  
GRANITE TELECOMMUNICATIONS, LLC  
SOUTH DAKOTA  
LOCAL EXCHANGE ACCESS TELECOMMUNICATIONS SERVICE TARIFF**

**CHECK SHEET**

The sheets of this tariff are effective as of the date shown. The original and revised sheets named below contain all changes from the original tariff and are in effect on the date shown.

Sheet No.	Sheet Version	Sheet No.	Sheet Version	Sheet No.	Sheet Version
1	Original	31	Original	61	Original
2	First*	32	Original	62	Original
3	Original	33	Original	63	Original
4	Original	34	Original	64	Original
5	Original	35	Original	65	First*
6	Original	36	Original	66	Original
7	Original	37	Original		
8	Original	38	Original		
9	Original	39	Original		
10	Original	40	Original		
11	Original	41	Original		
12	Original	42	Original		
13	Original	43	Original		
14	Original	44	Original		
15	Original	45	Original		
16	Original	46	Original		
17	Original	47	Original		
18	Original	48	Original		
19	Original	49	Original		
20	Original	50	Original		
21	Original	51	Original		
22	Original	52	Original		
23	Original	53	Original		
24	Original	54	Original		
25	Original	55	Original		
26	Original	56	Original		
27	Original	57	Original		
28	Original	58	Original		
29	Original	59	Original		
30	Original	60	Original		

Issued: September 12, 2007

Effective:

Issued By:

Robert T. Hale, Jr.  
 Granite Telecommunications, LLC  
 100 Newport Avenue Ext. (C)  
 Quincy, Massachusetts 02171 (C)

**RATES****5.1 ACCESS SERVICE**

5.1.1	Service Orders	<b>Nonrecurring Charge</b>		
	Service Implementation	<b>First</b>	<b>Add'l</b>	
	A. Installation Charge	\$0.00	\$0.00	
	B. Access Order Charge	\$0.00	\$0.00	
	C. Cancellation Charge	\$0.00	\$0.00	
5.1.2	Switched Access, All Times	<b>InterLATA</b>	<b>IntraLATA</b>	
		\$0.00861	\$0.00861	(R)
5.1.3	Toll Free Data Base Access Service			
	POTS Translation Charge, Per Query	\$0.003665		(R)
				(D)
	Toll Free Carrier Identification Charge	\$0.003312		(I)
	Call Handling Destination Feature Charge	\$0.000694		(I)

Issued: September 12, 2007

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Quincy, Massachusetts 02171 (C)