
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Petition of Sioux
Valley Telephone Company for
Suspension or Modification of 47 USC
Section 251(b)(2) of the Communications
Act of 1934 as Amended

Docket No. TC08-010

DIRECT PRE-FILED TESTIMONY OF

DENNY LAW

July 15, 2008

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

2 A. My name is Denny Law. My business address is 525 E 4th Street, P.O.
3 Box 98, Dell Rapids, SD, 57022. My business telephone number is 605-428-
4 5421.

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

6 A: I am the General Manager of Sioux Valley Telephone Company d/b/a Golden
7 West (Sioux Valley) d/b/a Golden West Telecommunications. Sioux Valley is a
8 rural independent local exchange carrier that provides local exchange, exchange
9 access and other telecommunications services to 5236 access lines within its
10 South Dakota service area, including an average of 72 “lifeline” access lines
11 within its South Dakota service area, which includes the exchanges of Dell
12 Rapids, Colton, Humboldt/Montrose, Plankinton, and Corsica.

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

15 A: No.

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

19 A: We are a small company with only five exchanges. Our service areas are defined
20 by the boundaries of our exchanges, and where we have physical cable plant. The
21 wireless carriers, on the other hand, serve areas licensed by the FCC and by the
22 reach of a radio frequency transmission from a tower site, which makes their
23 wireless local calling area much larger than our exchange boundaries. The

1 boundary of our wireline rate centers and the local calling areas of wireless
2 carriers serving in our area vary greatly.

3 **Q: How does Sioux Valley route calls from its subscribers' landline phones to**
4 **wireless carrier subscribers?**

5 A: When a Sioux Valley subscriber uses his/her landline phone to call a wireless
6 phone number, the call is routed from the subscriber's landline phone to the
7 appropriate Sioux Valley central office switch, where it is determined to be a non-
8 local call and is therefore switched to a toll trunk group. The toll trunk carries the
9 call to South Dakota Network's (SDN's) Centralized Equal Access (CEA) tandem,
10 which is located in Sioux Falls, to be routed to the appropriate Point of
11 Interconnection of the wireless carrier.

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

14 A: I am aware of at least four wireless carriers that are currently offering service in
15 Sioux Valley's local exchange area: Verizon Wireless, Alltel, RCC, and Swiftel
16 PCS. However, there are nearly 30 entities that own licensed wireless spectrum
17 that may be used to serve the Sioux Valley area in the future.

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

20 A: To my knowledge, not a single Sioux Valley subscriber has requested local
21 number portability from Sioux Valley.

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

4 A: Not to my knowledge.

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

6 A: Even during the past few years when Sioux Valley has had a suspension of
7 intermodal LNP, the number of people who have wireless service has continued
8 to grow throughout the country and in South Dakota. Therefore, I believe there
9 has been no impact on wireless service or competition.

10 **Q: Mr. Davis' testimony addresses the cost of transport associated with**
11 **intermodal and VoIP LNP. Are there other costs?**

12 A: Yes. Sioux Valley would have to take a number of actions and incur various costs
13 to be able to port numbers. These costs are outlined in Exhibit 2 to Mr. Davis'
14 direct testimony.

15 **Q: If there is no demand for intermodal LNP and Sioux Valley must incur costs**
16 **to implement LNP, including, possibly, transport costs, why didn't you**
17 **request a total suspension of LNP like you did before?**

18 A: For a couple of reasons. First, since the first and second LNP cases, Sioux Valley
19 is in the process of upgrading its switches and other cost elements associated with
20 LNP have been reduced, such that the cost of implementing LNP (other than
21 transport) have fallen. Second, Sioux Valley's Petition, in essence, is a
22 compromise to the wireless carriers. Although Sioux Valley believes there is no

1 demand for intermodal LNP, some wireless carriers apparently feel it is useful to
2 their business. Rather than ask for a total suspension, Sioux Valley will incur the
3 cost of implementing LNP. Sioux Valley merely asks that it not be required to
4 pay for transport.

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

6 A: Yes. Even though to my knowledge there are four wireless carriers authorized to
7 serve in Sioux Valley's service area, any additional licensed carriers could start
8 operations at any time. As a result of the latest FCC decision, Sioux Valley may
9 be required to provide LNP in connection with service to VoIP providers. At this
10 time, Sioux Valley does not know who or how many VoIP providers may be
11 involved. Sioux Valley has no arrangements in place that would allow for the
12 transport of traffic to numbers ported from Sioux Valley to any of these entities.
13 Further, because Sioux Valley has no arrangements with these carriers, it cannot
14 transport traffic to numbers ported from Verizon Wireless and Alltel to any other
15 of these entities.

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

18 A: Because, in the first instance, it is the wireless carrier who makes the decision
19 whether to pursue direct or indirect connection with the ILEC. It also is the
20 wireless carrier that, in the first instance, either pursues a point of interconnection
21 within the LEC's service territory or not. Further, it appears to be the position of
22 Alltel and Verizon that the point of interconnection and direct versus indirect
23 interconnection is within their discretion, although Sioux Valley does not agree

1 with this position. Therefore, whether there will be any cost of transport and what
2 the transport cost will be is largely controlled, at least in the first instance, by the
3 wireless carriers.

4 For example, Mr. Davis' exhibit concerning the cost of transport (attached to his
5 Direct testimony) bases the costs on transporting traffic to Sioux Falls. It is my
6 understanding, however, that Sprint and Alltel have said they have the right to
7 require the transport of traffic to any point in the LATA, which is almost any
8 point in South Dakota. If wireless carriers should some day decide that it makes
9 more sense for their traffic to go to some other point in the LATA, the cost of
10 transport could be a lot more than what Mr. Davis modeled. And, if they make
11 that decision for their own business purposes, they should be willing to pay for it.

12 **Q: Do you have concerns with this Commission requiring Sioux Valley to incur**
13 **transport obligations that extend beyond its current rural service area?**

14 **A:** Yes. Other than limited EAS facilities, Sioux Valley does not have facilities to
15 transport local calls outside of its service area. Generally, I believe that requiring
16 a small rural company such as Sioux Valley to incur additional transport costs
17 related to facilities to transport local calls beyond its current local network and its
18 service area would impose a competitive disadvantage on Sioux Valley and also
19 make it more difficult in the future to achieve universal service. I believe it must
20 be recognized that Sioux Valley, as a small rural carrier with a service area
21 limited to only a portion of South Dakota, does not have telecommunications
22 facilities extending throughout the LATA or MTA. This is in contrast to the
23 larger wireless carriers such as Verizon and Alltel which, with their

1 telecommunications networks, do reach most of this State. I find it hard to
2 understand why Sioux Valley should have to incur additional costs associated
3 with transport facilities to transport local calls outside of its rural service area in
4 order to make things more efficient for certain wireless carriers who have much
5 larger networks and many more customers. Moreover, the challenges of
6 maintaining affordable and universal telephone service are already substantial for
7 Sioux Valley and shifting additional transport responsibilities to rural carriers and
8 customers for transport services to locations far removed from Sioux Valley's
9 existing rural service would be a step in the wrong direction.

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

12 A: Yes. This merger may impact the cost of transport. Verizon and Alltel currently
13 operate as two separate entities in Sioux Valley's service area. If one of the
14 operations is sold as a result of the merger, then the new carrier may interconnect
15 with Sioux Valley in a different manner or at a different location, which would
16 impact the cost of transport. Also, the newly merged Verizon and Alltel could
17 decide to interconnect differently. As the Verizon/Alltel merger is expected to
18 close by December 31, 2008, it may make sense to continue the total suspension
19 of intermodal LNP until after the merger.

20 **Q: What will be the impact on Sioux Valley and its customers if its Petition is**
21 **not granted?**

22 A: Sioux Valley is a small rural company with a small customer base. As stated,
23 implementing LNP will impose costs on Sioux Valley and its subscribers. The

1 cost of paying for transport will impose an additional burden on Sioux Valley and
2 its subscribers. We have few economies of scale; the cost of transport is
3 substantial; and our subscribers have not requested this service. There is little, if
4 any, demand for intermodal or VoIP LNP in our service area. Little or no demand
5 means that the cost of transport imposes a significant adverse economic impact on
6 users and an unduly economically burdensome requirement on the company and
7 subscribers. Further, the vast majority of our customers will have to pay for those
8 few, if any, who decide to port their numbers. It is a very poor bargain for the
9 majority of our customers.

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

12 A: It is not known at this time whether Sioux Valley will impose an LNP surcharge
13 on its subscribers to recover the costs of implementing LNP, other than transport.
14 With respect to the cost of transport, it is my understanding that Sioux Valley may
15 not be allowed to recover the costs associated with transport of ported calls
16 through the LNP surcharge. To the extent this is correct, Sioux Valley may be
17 forced to increase local rates or curtail services or investment in the network. For
18 example, its investment in broadband or other network improvements and in the
19 services it is able to provide to customers may be delayed or reduced. If the cost
20 of transport is recovered through local rate increases, some segment of subscribers
21 may discontinue service or decrease the number of lines to which they subscribe,
22 which would further increase the per-subscriber cost of transport.

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

3 A: I would expect the reaction to be negative. Since the vast majority of our
4 customers will gain no benefit from intermodal LNP or VoIP LNP, I expect
5 protests if they must pay a cost for a service they do not want and for which they
6 receive no benefit. It is not in Sioux Valley's or its customers' best interests for
7 the large majority of our customers to be required to pay for a mandated service
8 that will benefit few if any of our customers. For these reasons, our Board of
9 Directors has been supportive of our efforts to obtain a suspension or modification
10 of the LNP rules.

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

13 A: Yes. Wireline to wireless porting under current routing protocols would impose
14 an unduly economically burdensome requirement by making the network less
15 efficient and by confusing customers. Currently, for calls from a subscriber of
16 Sioux Valley to a wireless carrier, Sioux Valley does not carry local traffic to a
17 point of interconnection beyond Sioux Valley's local calling area (or EAS area).
18 Therefore, if intermodal LNP is implemented before the transport issue has been
19 resolved with all wireless carriers, end users who continue to dial a ported number
20 on a seven-digit basis may receive a message that the call cannot be completed as
21 dialed, or a message instructing the party to redial using 1+ the area code. Thus,
22 callers would have to dial twice, with the resulting network use, to place one call.

1 It appears these issues also may be associated with calls to numbers ported to
2 VoIP providers.

3 **Q: As Sioux Valley is not LNP capable, can Sioux Valley correctly route calls to**
4 **a number ported from one wireless carrier to another?**

5 A: No.

6 **Q: In your Petition, you stated Sioux Valley would contact wireless carriers and**
7 **attempt to negotiate a resolution of routing and transport issues. Has Sioux**
8 **Valley done so?**

9 A: Yes. Sioux Valley has contacted intervening wireless carriers and attempted to
10 negotiate a solution to the transport/routing issues. The parties have not yet been
11 successful in negotiating a settlement, but Sioux Valley is committed to continue
12 negotiations with wireless carriers to reach a resolution of these outstanding
13 issues.

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

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

Certificate of Service

The undersigned, attorney for Petitioner hereby certifies that a true and correct copy of Prefiled Testimony of Denny Law and Pre-filed Testimony and Confidential Exhibits of Dan Davis was sent electronically on this 15th day of July, 2008, upon:

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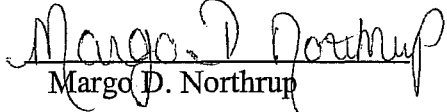
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