
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

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

Docket No. TC08-019

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 Eastern Regional Manager of Armour Independent Telephone Company
7 (Armour) d/b/a Golden West Telecommunications. Armour is a rural
8 independent local exchange carrier that provides local exchange, exchange access
9 and other telecommunications services to 651 access lines within its service area,
10 including an average of 15 “lifeline” access lines. Armour’s service area includes
11 the exchange of Armour.

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

14 A: No.

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

18 A: Armour has only one exchange. Our service area is defined by the boundaries of
19 the exchange, and where we have physical cable plant. The wireless carriers, on
20 the other hand, serve areas licensed by the FCC and by the reach of a radio
21 frequency transmission from a tower site, which makes their wireless local calling
22 area much larger than our exchange boundaries. The boundary of our wireline

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

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

5 A: When an Armour subscriber uses his/her landline phone to call a wireless phone
6 number, the call is routed from the subscriber's landline phone to the appropriate
7 Armour central office switch, where it is determined to be a non-local call and is
8 therefore switched to a toll trunk group. The toll trunk carries the call to South
9 Dakota Network's (SDN's) Centralized Equal Access (CEA) tandem, which is
10 located in Sioux Falls, to be routed to the appropriate Point of Interconnection of
11 the wireless carrier. An Armour subscriber cannot call a wireless subscriber as a
12 local call today, as no wireless carriers have direct connections in Armour's
13 service area.

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

16 A: I am aware of three (3) wireless carriers that are offering service in Armour's
17 local exchange area: Verizon Wireless, Alltel, and RCC. However, there are
18 nearly thirty (30) entities that own licensed wireless spectrum that may be used to
19 serve the Armour area in the future.

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

22 A: To my knowledge, not a single Armour subscriber has requested local number

1 portability from Armour.

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

5 A: Not to my knowledge.

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

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

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

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

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

19 A: For a couple of reasons. First, since the first and second LNP cases, Armour if in
20 the process of upgrading its switch, and other cost elements associated with LNP
21 have been reduced, such that the cost of implementing LNP (other than transport)
22 have fallen. Second, Armour's Petition, in essence, is a compromise to the

1 wireless carriers. Although Armour believes there is no demand for intermodal
2 LNP, some wireless carriers apparently feel it is useful to their business. Rather
3 than ask for a total suspension, Armour will incur the cost of implementing LNP.
4 Armour merely asks that it not be required to pay for transport.

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

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

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

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

1 transport cost will be is largely controlled, at least in the first instance, by the
2 wireless carriers.

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

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

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

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

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

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

19 **Q: What will be the impact on Armour and its customers if its Petition is not**
20 **granted?**

21 A: Armour is a small rural company with a only one exchange and a very small
22 customer base. As stated, implementing LNP will impose costs on Armour and
23 its subscribers. The cost of paying for transport will impose an additional burden

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

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

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

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

1 A: I would expect the reaction to be negative. Since the vast majority of our
2 customers will gain no benefit from intermodal LNP or VoIP LNP, I expect
3 protests if they must pay a cost for a service they do not want and for which they
4 receive no benefit. It is not in Armour's or its customers' best interests for the
5 large majority of our customers to be required to pay for a mandated service that
6 will benefit few if any of our customers.

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

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

21 **Q: As Armour is not LNP capable, can Armour correctly route calls to a**
22 **number ported from one wireless carrier to another?**

23 A: No.

1 **Q: In your Petition, you stated Armour would contact wireless carriers and**
2 **attempt to negotiate a resolution of routing and transport issues. Has**
3 **Armour done so?**

4 A: Yes. Armour has contacted intervening wireless carriers and attempted to
5 negotiate a solution to the transport/routing issues. The parties have not yet been
6 successful in negotiating a settlement, but Armour is committed to continue
7 negotiations with wireless carriers to reach a resolution of these outstanding
8 issues.

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

10 A: Yes, although I reserve the opportunity to revise or modify this pre-filed direct
11 testimony at or before the hearing if I receive additional information pertaining to
12 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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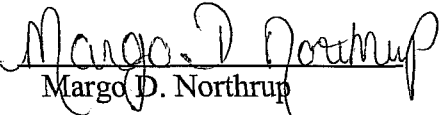
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