
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

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

Docket No. TC08-026

DIRECT PRE-FILED TESTIMONY OF

JERRY HEIBERGER

July 15, 2008

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

2 A. My name is Jerry Heiberger. My business address is 312 4th Street, P.O. Box 920,
3 Clear Lake, SD, 57226. My business telephone number is 605-874-2181.

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

5 A: I am the General Manager of Stockholm Strandburg Telephone Company
6 (SST). SST is a rural independent local exchange carrier that provides local
7 exchange, exchange access and other telecommunications services to 673 access
8 lines within its South Dakota service area, including an average of 27 “lifeline”
9 access lines within its South Dakota service area, which includes the exchanges of
10 Revillo, South Shore and Stockholm.

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

13 A: No.

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

17 A: We are a small company with only three (3) exchanges. Our service areas are
18 defined by the boundaries of our exchanges, and where we have physical cable
19 plant. The wireless carriers, on the other hand, serve areas licensed by the FCC
20 and by the reach of a radio frequency transmission from a tower site, which
21 makes their wireless local calling area much larger than our exchange boundaries.
22 The boundary of our wireline rate centers and the local calling areas of wireless
23 carriers serving in our area vary greatly.

1 **Q: How does SST route calls from its subscribers' landline phones to wireless**
2 **carrier subscribers?**

3 A: If a wireless number is local to one of SST's EAS areas and the wireless carrier
4 has an EAS connection to SST, the call is routed over the trunks associated with
5 that EAS connection. For example, an Alltel wireless number that is local to the
6 Milbank calling areas would be routed over the trunks associated with Alltel's
7 EAS connections in those exchanges (via Qwest). When a subscriber located in
8 any other SST calling area uses his/her landline phone to call a wireless phone
9 number, the subscriber must dial a ten-digit phone number; the call is routed from
10 the subscriber's landline phone to the SST central office switch, where it is
11 determined to be a non-local call; and the call is switched to a toll trunk group.
12 The toll trunk carries the call to South Dakota Network's (SDN's) Centralized
13 Equal Access (CEA) tandem, which is located in Sioux Falls, to be routed to the
14 appropriate Point of Interconnection of the wireless carrier.

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

17 A: I am aware of five (5) wireless carriers that are authorized to serve in SST's
18 Service area: Verizon Wireless, Alltel, Sprint PCS, Nextel, and RCC. Of these,
19 Nextel does not appear to currently have active wireless marketing campaigns.
20 The major wireless carriers in SST's area are Verizon, Alltel, RCC, and Sprint.

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

1 A: To my knowledge, not a single SST subscriber has requested local number
2 portability from SST.

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

6 A: Not to my knowledge.

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

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

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

14 A: Yes. SST is not LNP capable and SST would have to take a number of actions
15 and incur various costs to be able to port numbers. These costs are addressed in
16 Mr. DeWitte's Direct Testimony.

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

20 A: For a couple of reasons. First, since the first and second LNP cases, SST has
21 made some upgrades to its switches and other cost elements associated with LNP
22 have been reduced, such that the cost of implementing LNP (other than transport)

1 have fallen. Second, SST's Petition, in essence, is a compromise to the wireless
2 carriers. Although SST believes there is no demand for intermodal LNP, some
3 wireless carriers apparently feel it is useful to their business. Rather than ask for a
4 total suspension, SST will incur the cost of implementing LNP. SST merely asks
5 that it not be required to pay for transport.

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

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

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

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

1 interconnection is within their discretion, although SST does not agree with this
2 position. Therefore, whether there will be any cost of transport and what the
3 transport cost will be is largely controlled, at least in the first instance, by the
4 wireless carriers.

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

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

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

1 which, with their telecommunications networks, do reach most of this State. I
2 find it hard to understand why SST should have to incur additional costs
3 associated with transport facilities to transport local calls outside of its rural
4 service area in order to make things more efficient for certain wireless carriers
5 who have much larger networks and many more customers. Moreover, the
6 challenges of maintaining affordable and universal telephone service are already
7 substantial for SST and shifting additional transport responsibilities to rural
8 carriers and customers for transport services to locations far removed from SST'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 most likely will impact the cost of transport. Verizon and
13 Alltel currently operate as two separate entities in SST's service area. If one of
14 the operations is sold as a result of the merger, then the new carrier may
15 interconnect with SST in a different manner or at a different location, which
16 would impact the cost of transport. Also, the newly merged Verizon and Alltel
17 could decide to interconnect differently. As the Verizon/Alltel merger is expected
18 to close by December 31, 2008, it may make sense to continue the total
19 suspension of intermodal LNP until after the merger.

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

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

1 paying for transport will impose an additional burden on SST and its subscribers.
2 We have few economies of scale; the cost of transport is substantial; and our
3 subscribers have not requested this service. There is little, if any, demand for
4 intermodal or VoIP LNP in our service area. Little or no demand means that the
5 cost of transport imposes a significant adverse economic impact on users and an
6 unduly economically burdensome requirement on the company and subscribers.
7 Further, the vast majority of our customers will have to pay for those few, if any,
8 who decide to port their numbers. It is a very poor bargain for the majority of our
9 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 SST will impose an LNP surcharge on its
13 subscribers to recover the costs of implementing LNP, other than transport. With
14 respect to the cost of transport, it is my understanding that SST may not be
15 allowed to recover the costs associated with transport of ported calls through the
16 LNP surcharge. To the extent this is correct, SST may be forced to increase local
17 rates or curtail services or investment in the network. For example, its investment
18 in broadband or other network improvements and in the services it is able to
19 provide to customers may be delayed or reduced. If the cost of transport is
20 recovered through local rate increases, some segment of subscribers may
21 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 very 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 SST's or its customers' best interests for the large
7 majority of our customers to be required to pay for a mandated service that will
8 benefit few, if any, of our customers.

9 **Q: As SST is not LNP capable, can SST correctly route calls to a number ported**
10 **from one wireless carrier to another?**

11 A: No.

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

14 A: Yes. SST has contacted intervening wireless carriers and attempted to negotiate a
15 solution to the transport/routing issues. The parties have not yet been successful
16 in negotiating a settlement, but SST is committed to continue negotiations with
17 wireless carriers to reach a resolution of these outstanding issues.

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

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