

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DT 07-027

KEARSARGE TELEPHONE COMPANY, WILTON TELEPHONE COMPANY, INC.,
HOLLIS TELEPHONE COMPANY, INC. AND MERRIMACK COUNTY
TELEPHONE COMPANY
PETITION FOR ALTERNATIVE FORM OF REGULATION

REBUTTAL TESTIMONY OF MICHAEL C. REED
ON BEHALF OF MERRIMACK COUNTY TELEPHONE COMPANY AND
KEARSARGE TELEPHONE COMPANY

SEPTEMBER 9, 2009

1 **Q. Please state your name and occupation.**

2 A. My name is Michael C. Reed. I am employed by TDS Telecom (“TDS”) as
3 Manager, State Government Affairs in TDS’ Government and Regulatory Affairs
4 department. I have responsibility for state regulatory and legislative affairs in
5 Maine, New Hampshire, Vermont, New York, and Pennsylvania.

6
7 **Q. Are you the same Micheal C. Reed that submitted prefiled supplemental**
8 **testimony in this docket?**

9 A. Yes.

10

11 **Q. Do you have any corrections to your prefiled supplemental testimony?**

12 A. Yes. As explained in the rebuttal testimony of Mr. Goulet, we have determined
13 that the drive routes shown on the first pages of Exhibits C and D to my prefiled
14 supplemental testimony were the planned drive routes rather than the actual drive
15 routes. The correct drive routes were shown on page 4 of Exhibits E and F. The
16 difference is that Class VI roads were not driven. Corrected copies of the drive
17 routes are attached to this rebuttal testimony as Exhibits H and I.

18

19 **Q. Have you reviewed the prefiled testimony of Stephen R. Eckberg dated July**
20 **17, 2009 submitted on behalf of the New Hampshire Office of Consumer**
21 **Advocate?**

22 A. Yes.

23

1 **Q. Please refer to page 8 of Mr. Eckberg’s testimony and comment on his**
2 **statement that “[t]he Settlement Agreement, as it pertained to KTC and**
3 **MCT, did not permit an immediate transition to alternative regulation.”**

4 A. This is not entirely correct. While the Settlement Agreement would not allow
5 KTC or MCT to raise their basic local rates immediately, certain aspects of their
6 respective alternative regulation plans would still be effective on the 1st day of the
7 month following the issuance of the Commission’s final order approving their
8 plans, such as the applicable rules and regulations both companies would operate
9 under.

10
11 **Q. Please refer to page 9 of Mr. Eckberg’s testimony and comment on his**
12 **conclusion that the Commission “effectively moved up the timing of the**
13 **Section 6.2 (v) test” found within the Settlement Agreement.**

14 A. The Commission determined that KTC and MCT must each demonstrate that a
15 competitive wireline, wireless, or broadband service is available to a majority of
16 the retail customers in each of the exchanges it serves in order for the
17 Commission to approve the respective alternative regulation plan, as amended by
18 the Settlement Agreement. As such, I do not believe that Section 6.2 of the
19 Settlement Agreement remains applicable, and it should be revised to reflect that
20 MCT and KTC have made the requisite showing of competition.

21
22 **Q. Please refer to page 10 of Mr. Eckberg’s testimony. Do you agree with his**
23 **expectation that there will be “a two-year rate freeze in the KTC and MCT**

1 **exchanges after a Commission Order approving the proposed alternative**
2 **regulation (plans) for KTC and MCT?**

3 A. Yes. The only section of the Settlement Agreement (as it relates to KTC and
4 MCT) that is no longer applicable is Section 6.2, as explained above.

5
6 **Q. Please refer to page 18 of Mr. Eckberg's testimony regarding the**
7 **Commission's conclusion that the CoverageRight map was not sufficient to**
8 **demonstrate availability of third party offerings. Do you have any comment?**

9 A. Yes. It's understandable how the Commission reached that conclusion. Exhibits
10 4 and 5 to Staff witness Josie Gage's testimony show that very little of the
11 territory in the Sutton and Salisbury exchanges were covered by a purported 5
12 mile radius line drawn around the known wireless antennae. That was in stark
13 contrast to the CoverageRight map which accurately shows that wireless service
14 is available in the Sutton and Salisbury exchanges.

15
16 Unfortunately, as described in my supplemental testimony, while Staff intended to
17 draw 5 mile radius lines around the known wireless antennae, the lines that were
18 drawn only had a radius, in my estimate, of well under 2 miles. As a result, Staff
19 severely underestimated the actual wireless coverage area within the Sutton and
20 Salisbury exchanges. I am confident that had Staff accurately drawn the radius
21 lines to scale, their exhibits would have shown that the vast majority of the
22 customers within the Sutton and Salisbury exchanges are within the 5 mile radius
23 of at least one wireless antenna. In effect, Staff's analysis and the CoverageRight

1 map would have resulted in the same conclusion, that wireless service is available
2 to a majority of the customers within the Sutton and Salisbury exchanges.

3
4 In my opinion, the Staff's inaccurate maps adversely affected the Commission's
5 view of the dependability of the CoverageRight map for demonstrating
6 availability of third party offerings. To help rectify this problem, we went one
7 step further and retained C Squared Systems, LLC ("C Squared") to measure the
8 wireless signal strength of several carriers throughout the Sutton and Salisbury
9 exchanges. As described in my supplemental testimony, these results are also
10 consistent with the CoverageRight map. The conclusion is clear: reliance may be
11 placed on the CoverageRight map as a means of demonstrating availability of
12 third party offerings.

13
14 **Q. Have you reviewed the prefiled testimony of Ben Johnson, Ph.D. dated July**
15 **17, 2009 submitted on behalf of New Hampshire Legal Assistance?**

16 A. Yes.

17
18 **Q. Please refer to page 26 of Dr. Johnson's testimony where he questions**
19 **whether or not wireless service alone is sufficient to justify a finding of**
20 **"competitive" alternatives. Do you have any comment?**

21 A. Yes. Section 374:3-b III (a) is clear. Competitive wireline, wireless, or (emphasis
22 added) broadband service needs to be available to a majority of the retail
23 customers in each of the exchanges served by the petitioning small incumbent

1 local exchange carrier. Any implication that a combination of alternative services
2 need to be available to a majority of the retail customers in each of the exchanges
3 served by the petitioner is incorrect.

4
5 **Q. Please refer to page 27 of Dr. Johnson’s testimony where he states “TDS did**
6 **not submit any new evidence concerning...loss of customers, or any other**
7 **factual issues related to these exchanges”. Do you have any comment?**

8 A. Dr. Johnson is incorrect in his statements referenced above. Updated access lines
9 and intrastate access minutes of use data were provided in the discovery phase of
10 this docket. The response to data request Staff 1.29 (Exhibit J) shows MCT’s
11 intrastate access minutes of use have declined **<BEGIN CONFIDENTIAL %**
12 **>END CONFIDENTIAL** since 2004. The response to data request Staff 1.30
13 (Exhibit K) shows KTC’s intrastate access minutes of use have declined **<BEGIN**
14 **CONFIDENTIAL % >END CONFIDENTIAL**. Responses to Staff 1.25/1.27
15 (Exhibit L) show that MCT’s access lines have declined **<BEGIN**
16 **CONFIDENTIAL % >END CONFIDENTIAL** since 2004. Responses to
17 Staff, 1.26/1.28 (Exhibit M) show KTC’s access lines have declined **<BEGIN**
18 **CONFIDENTIAL % >END CONFIDENTIAL** since 2004.

19
20 The access line exhibits show that not only have MCT and KTC continued to
21 experience the effects of competition since August 2007 (the date through which
22 access line loss data was provided in this docket via Michael C. Reed’s 11/15/07
23 Rebuttal Testimony), but that in many exchanges the rate of decline in access

1 lines is increasing. For example, the Sutton exchange lost **<BEGIN**
2 **CONFIDENTIAL % >END CONFIDENTIAL** of its access lines from
3 January 2004 through August 2007 (44 months), and an additional **<BEGIN**
4 **CONFIDENTIAL % >END CONFIDENTIAL** of its access lines from August
5 2007 through April 2009 (20 months). The following table shows this data by
6 exchange:

7

8 **<BEGIN CONFIDENTIAL**

9 MCT TOTAL ACCESS LINES

10

11

12

KTC TOTAL ACCESS LINES

13

14

15

16 **>END CONFIDENTIAL**

1 Q. Please refer to page 27 of Dr. Johnson's testimony where he states TDS "is
2 still relying on the same "CoverageRight" map presented in the earlier phase
3 of this proceeding. Do you have any comment?

4 A. As I explained above and as explained by Mr. Daniel Goulet in his rebuttal
5 testimony, C Squared undertook an extensive analysis of wireless coverage
6 availability in the Salisbury and Sutton exchanges. TDS hired C Squared to
7 undertake such an analysis because the Commission ruled in Order no. 24,852
8 (dated April 23, 2008) on page 29 that these exchanges "...were the most rural
9 exchanges in their respective company service territories." The analysis in my
10 opinion validated the initial case presented to the Commission. That is, the
11 CoverageRight maps are accurate and reliable. The evidence presented by TDS
12 includes the C Squared's analysis, the CoverageRight maps, the access line losses
13 and the access minute losses. Taken together, this evidence demonstrates that
14 competitive offerings are available to a majority of the retail customers in each of
15 the exchanges served by MCT and KTC.

16
17 Q. Does this conclude your supplemental rebuttal testimony?

18 A. Yes.

19