

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DT 07-027

PUBLIC DIRECT TESTIMONY

OF ROBERT LOUBE, Ph.D.

ON BEHALF OF THE

OFFICE OF CONSUMER ADVOCATE

ORIGINAL  
Case No. DT 07-027  
8  
Robert Loube

October 12, 2007

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**I. INTRODUCTION**

**Q: Please state your name and business address.**

**A:** My name is Robert Loube. My business address is 10601 Cavalier Drive, Silver Spring, Maryland 20901.

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

**A:** I am Vice President of Rolka, Loube, Saltzer, Associates.

**Q: On whose behalf are you testifying?**

**A:** I am testifying on behalf of the Office of Consumer Advocate (OCA).

**Q: Please describe your professional qualifications.**

**A:** I received my Ph.D. in economics from Michigan State University in 1983. I have worked for the Federal Communications Commission (FCC) where I helped to establish the criteria for choosing the universal service economic cost model, evaluated and modified telephone cost models, and determined the input values used in the FCC's Synthesis model. I also was on the FCC staff of the Federal-State Joint Board on Separations.

While I worked at the Indiana Utility Regulatory Commission and the Public Service Commission of the District of Columbia, I testified on the validity and usefulness of a number of incremental and embedded cost studies, and on the conditions required for competition in telephone markets. As a private consultant, I have testified on behalf of the Pennsylvania Office of the Consumer Advocate in the Pennsylvania Triennial Review proceeding and filed expert testimony on behalf of the Staff of the South Carolina Public Service Commission. I have also testified on behalf of the Maine Office of Public Advocate in the Maine Verizon-

1 MCI merger, the investigation into line sharing, the Verizon AFOR proceedings,  
2 and the ongoing Verizon/FairPoint proceedings. I testified on behalf of the  
3 Washington Attorney General in the Qwest AFOR proceeding. I have lectured on  
4 cost modeling and pricing in telecommunications at the NARUC Annual  
5 Regulatory Studies Program. My vita is attached to this testimony as Exhibit RL-  
6 1.

7 **II. PURPOSE OF TESTIMONY**  
8

9 **Q: What is the purpose of your testimony?**

10 **A:** The purpose of my testimony is to evaluate the proposed TDS AFOR plan (the  
11 “Plan”) on behalf of the OCA, whose statutory charge includes advocacy on  
12 behalf of residential customers. I compare the proposed Plan to the criteria for  
13 acceptance of an AFOR plan listed in NH RSA 374:3-b.

14 **Q: Please summarize your testimony.**

15 **A:** My testimony will examine the testimony of TDS witnesses, Mr. Reed and Mr.  
16 Ulrich. Mr. Reed’s testimony asserts that competitive cable, wireless and  
17 broadband service is available to a majority of TDS retail customers. I will  
18 demonstrate that his assertion is false. First, there are no cable providers offering  
19 telephone services to any customers in the TDS service territories. Second, for  
20 approximately 70 percent of customers who subscribe to wireless service, such  
21 service does not compete (i.e., is not a substitute) with wireline service. Instead,  
22 wireless service complements wireline service. Third, broadband-based telephone  
23 providers are not competitors of TDS’ wireline service because there are

1 significant questions regarding the ability of these carriers to sustain their  
2 presence in the market. They face patent infringement suits, have closed their  
3 operations, face price squeeze strategies by major ILECs, and are not taken  
4 seriously by major cable providers. In addition, the Plan includes the authority to  
5 increase basic service rates by up to 10 percent per year for each of four years.  
6 Only carriers that have market power could sustain such increases. Thus, a carrier  
7 that requests such authority must believe that a majority of its customers do not  
8 have a competitive alternative available to them.

9

10 With regard to the testimony of Mr. Ulrich, I note that the current regulatory  
11 regime allows TDS the flexibility it needs to meet the prices of future potential  
12 competitors, while at the same time ensuring that TDS' prices are above price  
13 floors necessary to maintain competition. I also point out that if TDS offers  
14 Unbundled Network Elements ("UNEs") and adopts the Verizon NH UNE rates,  
15 this policy would not increase the level of competition in the TDS service  
16 territories because the Verizon UNE rates are above most of the TDS basic  
17 service rates.

18

19 **III. THE TESTIMONY OF MR. MICHAEL C. REED**

20

21 **Q: Please summarize the testimony of Mr. Reed.**

22 **A:** The purpose of Mr. Reed's testimony is to demonstrate that each of the four TDS  
23 carriers meets the eligibility criteria required by RSA 374:3-b, III for approval of  
24 an alternative form of regulation ("AFOR"). He focuses on the first criterion, the

1 availability of competitive wireline, wireless and broadband service to a majority  
2 of retail customers in each exchange.

3 **Q: How did Mr. Reed establish that a majority of retail customers have**  
4 **competitive alternatives available to them?**

5 **A:** Mr. Reed used a two-step approach for determining the amount of competition in  
6 each carrier's study area. First, he determined whether a cable, wireless or  
7 broadband alternative was available.<sup>1</sup> Second, he determined whether TDS  
8 customers were using those alternatives by measuring decreases in TDS access  
9 lines, state access minutes and revenue.

10 **Q: How did Mr. Reed demonstrate the availability of competition from cable**  
11 **providers?**

12 **A:** In Attachments A through D of his testimony, Mr. Reed provides an estimate of  
13 the percentage of customers that are served by a cable provider. For each carrier,  
14 his estimate is greater than 50 percent. However, for Merrimack County  
15 Telephone ("MCT"), he does not provide this percentage by cable provider. This  
16 failure is important due to the fact that one of the providers, MCT Cable, is a  
17 subsidiary of TDS and therefore simply cannot be considered a competitor. By  
18 combining information from several data responses, I am able to confirm that  
19 Comcast serves greater than 50 percent of the customer base even though that

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<sup>1</sup> <<Begin Confidential

**End Confidential>>**

1 coverage is at a lower level than Mr. Reed's estimate.<sup>2</sup> However, as I discuss  
2 below, there are issues with considering access to cable service as a competitive  
3 alternative to telephone service.

4 **Q: Are there any exchanges that do not have cable services?**

5 **A:** Yes. According to Mr. Reed's Attachment E, there is no cable service in  
6 Kearsarge Telephone Company's ("KTC") Andover and Salisbury exchanges.  
7 Thus, on the basis of cable service, KTC does not meet the first criterion that each  
8 exchange must have an alternative available in order for the service territory's  
9 AFOR Plan to be approved. RSA 374:3-b, III (a).

10 **Q: Is the existence of cable service proof of the existence of the provision of cable**  
11 **telephone service?**

12 **A:** No. Cable service can exist as the provision of video services or video and data  
13 services without the provision of telephone service.

14 **Q: Is there any evidence that verifies that a cable company provides telephone**  
15 **service in any of the four TDS carrier's service territory?**

16 **A:** No. Even TDS states that it "is not aware of any communities within TDS study  
17 area where a cable provider is offering telephone service at this time, although the  
18 website of Comcast indicates digital phone is available in some exchanges."<sup>3</sup> In  
19 its petition to become party to this proceeding, Comcast rejects the TDS  
20 insinuation that it may be offering service in any of the four study areas. Comcast  
21 clearly states that "Comcast Phone does not possess any certificate of authority in  
22 TDS Telecom territory...neither Comcast nor any of its affiliates offers any voice

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<sup>2</sup> See Confidential Exhibit RL-2.

<sup>3</sup> Company Response to OCA 1-46.

1 services whatsoever in the exchanges served by the TDS Petitioners, let alone  
2 unlimited calling plans...[thus] Comcast is unable to offer telecommunications  
3 services there.”<sup>4</sup>

4 **Q: Are there any other competitive cable providers serving TDS providers that**  
5 **may be offering telephone service?**

6 **A:** No. There are two other providers, MCT Cable and Charter. MCT Cable is a  
7 TDS affiliate and therefore should not be considered a competitor of TDS  
8 telephone companies. Charter’s web page does not show any telephone offerings  
9 for its New Hampshire territories, which only coincides with the service area of  
10 Hollis Telephone company.<sup>5</sup>

11 **Q: Is there any other evidence that suggests that cable providers are not offering**  
12 **telephone service in the TDS service territories?**

13 **A:** Yes. First, the Petitioners have not ported any numbers to cable providers, even  
14 though TDS is capable of porting numbers. Thus, no TDS customer has asked  
15 TDS to move his current number to a cable provider.<sup>6</sup> Second, there are no cable  
16 customers listed in the Petitioners’ white pages.<sup>7</sup>

17 **Q: How does Mr. Reed assert that customers can obtain telephone service**  
18 **through broadband services?**

19 **A:** Mr. Reed asserts that customers can reach independent Voice over Internet  
20 Protocol (VoIP) providers by purchasing either DSL from a TDS carrier or cable  
21 modem service from a cable provider. The VoIP provider will provide the

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<sup>4</sup> Petition to Intervene of Comcast Phone of New Hampshire, LLC, Docket DT07-027, September 27, 2007, at 6. Comcast filed testimony on October 11, 2007 affirming these statements.

<sup>5</sup> <http://www.charter.com/vistors/products.aspx?productitem=3>

<sup>6</sup> Company Response to OCA 1-53.

<sup>7</sup> Company Response to OCA 1-56.

1 telephone service over the broadband connection. In Attachment E, Mr. Reed  
2 shows that customers have either the ability to use DSL or a cable modem in  
3 every New Hampshire TDS exchange. However, Mr. Reed does not provide  
4 information that shows that 50 percent or more of the TDS customers in each  
5 exchange have access to a broadband provider. Instead, Mr. Reed provides the  
6 average across the exchanges in each service territory.<sup>8</sup>

7 **Q: Has Mr. Reed identified any former TDS customers that have migrated to**  
8 **VoIP providers.**

9 **A:** No. Even though Mr. Reed asserts that TDS has lost customers to VoIP  
10 providers, he does not present any evidence regarding the number of customers  
11 that have migrated to VoIP providers. In fact, TDS states that it cannot identify  
12 the percent of customers that have become VoIP customers.<sup>9</sup>

13 **Q: Is it necessary to measure the number of VoIP customers in order to claim**  
14 **that competitive VoIP service is available to a majority of the Petitioners'**  
15 **customers in each exchange?**

16 **A:** No. However, it is easier to claim that customers perceive VoIP as a competitive  
17 alternative if a number of those customers are using the service. Without any  
18 indication of a number, the assertion that broadband telephony is a competitive  
19 alternative is just an assertion without a foundation and should not be used to  
20 determine that the Petitioner's service territories meet the strictly defined  
21 eligibility standard required for the adoption of AFOR regulation.

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<sup>8</sup> Reed Testimony, Attachments A through D.

<sup>9</sup> Company Response to Staff 1-11.

1 **Q: What is the basis for determining that broadband telephone service is not a**  
2 **competitive alternative to the Petitioner's regulated services?**

3 **A:** There are several reasons why broadband telephone service is not a competitive  
4 alternative to the Petitioner's regulated services: (1) recent court decisions that  
5 have been unfavorable to Vonage, (2) Vonage's inability to maintain its stock  
6 price, (3) the failure of SunRocket, (4) the carriers' dependency on broadband  
7 connections, and (5) the pricing strategies of major ILECs and cable providers.

8 **Q: Please discuss the Vonage litigation.**

9 **A:** Vonage has recently lost two patent infringement cases at the federal district court  
10 level.<sup>10</sup> These losses have restricted Vonage's ability to market its service,  
11 required Vonage to pay royalties to its competitors, and may require Vonage to  
12 pay significant penalties. While Vonage's stock price rebounded following the  
13 settlement of its patent infringement suit with Sprint, the stock price is still only  
14 \$2.57 compared to the initial public offering of \$17.<sup>11</sup>

15 **Q: How would these losses affect Vonage's operations?**

16 **A:** Royalties and penalties would reduce the profits of a company that has never  
17 earned a positive profit. Customers may be scared off, increasing the cost of  
18 attracting new customers, when that current cost is estimated to be \$287 per

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<sup>10</sup> "Patent Rulings Against Vonage Upheld," by Jeff St. Onge and Susan Decker, Washington Post, September 27, 2007; "Vonage Settles Patent Suit with Sprint," by Peter Svensson, Washington Post, October 8, 2007

<sup>11</sup> "Patent Rulings Against Vonage Upheld," by Jeff St. Onge and Susan Decker, Washington Post, September 27, 2007

1 customer.<sup>12</sup> The company has also reduced its workforce by 10 percent and cut  
2 its advertising and marketing budget by \$110 million a year.<sup>13</sup>

3 **Q: Please discuss the failure of SunRocket.**

4 **A:** SunRocket was a VoIP provider. It ceased operations July 16, 2007, leaving  
5 200,000 customers without service. SunRocket recommended to its customers  
6 that they move to other VoIP providers, but SunRocket and Vonage disagree over  
7 the use of SunRocket's customer list by Vonage.<sup>14</sup>

8 **Q: Please discuss the pricing strategy of the major ILECs.**

9 **A:** The major ILECs, AT&T, QWEST and Verizon, can easily trap the VoIP  
10 providers in a price squeeze. These ILECs control the price and the offering of  
11 stand-alone DSL and they are major competitors of the VoIP providers.  
12 Currently, AT&T and Verizon offer a bundle of unlimited local and long distance  
13 telephone service and data service for \$59.99.<sup>15</sup> QWEST offers the same bundle  
14 for \$64.98.<sup>16</sup> Given that Vonage charges \$24.99 for an equivalent package, if the  
15 ILECs increase the cost of stand-alone DSL service above \$35 to \$40, Vonage  
16 will be forced to reduce its rates or leave the market. Given that current estimates  
17 of stand-alone DSL rates range between \$36 and \$49, Vonage's prospects do not  
18 look promising.<sup>17</sup> In addition, AT&T and Verizon are required by the recent  
19 mergers to sell stand-alone DSL for only a limited number of years. When the

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<sup>12</sup> "Vonage Settles Patent Suit with Sprint," by Peter Svensson, Washington Post, October 8, 2007.

<sup>13</sup> "Patent Rulings Against Vonage Upheld," by Jeff St. Onge and Susan Decker, Washington Post, September 27, 2007;

<sup>14</sup> "SunRocket Sues Vonage Over Use of Customer List," by Kim Hart, Washington Post, August 24, 2007.

<sup>15</sup> <http://www.att.com/gen/general?pid=9147>;

<http://www22.verizon.com/ForYourHome/NationalBundles/NatBundlesHome.aspx>;

<sup>16</sup> <http://pcat.qwest.com/pcat/bundlesCustomize.do?customize=res>

<sup>17</sup> Direct Testimony of Robert Loube on behalf of Public Counsel, In the Matter of the Petition of Qwest Corporation to be Regulated Under An Alternative Form of Regulation Pursuant to RCW 80.36.135, Washington Utilities and Transportation Commission, Docket No. UT-061625, filed February 14, 2007.

1 merger condition expires, customers of VoIP providers may find it very difficult  
2 to continue to purchase stand-alone DSL.

3 **Q: Please discuss Comcast's pricing strategy.**

4 **A:** Comcast's pricing strategy indicates that Comcast does not consider VoIP  
5 providers to be competitors because Comcast's prices for bundles that include  
6 voice service are higher than customers' total cost of using independent VoIP  
7 providers' services. For example, where Comcast offers telephone service, its  
8 voice and data package is set at \$69.00, while a Vonage customer would have to  
9 pay only \$67.94 (the sum of a stand-alone modem charge of \$42.95 and the  
10 Vonage rate of \$24.99). Second, the Comcast "triple play" offer (i.e., voice, data  
11 and internet) is \$99.00, while a Vonage customer could put together a triple  
12 package for \$81.83 (the sum of a data and video Comcast package of \$56.84 and  
13 the Vonage rate of \$24.99). Given that Comcast is not regulated and thus is free  
14 to change its prices, it is reasonable to conclude that Comcast does not consider  
15 the Vonage service a competitive alternative to the services Comcast provides.

16 **Q: Are there any other factors that limit the market for VoIP telephone  
17 providers in the Petitioner's service territories?**

18 **A:** Yes. The TDS companies do not sell DSL service on a stand-alone basis.<sup>18</sup> Thus,  
19 TDS customers would have to buy local service twice, once from the TDS carrier  
20 and a second time from the VoIP provider, if the customer decided to use the  
21 VoIP provider as her telephone service provider.

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<sup>18</sup> Company Response to OCA 1-2.

1 **Q: Are there any other indicators of the availability of VoIP telephone service in**  
2 **the Petitioner's service territories?**

3 **A:** Yes. In order to use a VoIP telephone service, it is first necessary to purchase a  
4 broadband connection. Such a connection is either DSL service from a telephone  
5 company or cable modem service from a cable company. Currently, only

6 <<**Begin Confidential** **End Confidential**<sup>19</sup> >>

7 subscribe to DSL service. I do not know the number of cable modem subscribers  
8 in the TDS service territories, and therefore cannot provide an estimate of the  
9 percentage of customers with access to VoIP telephone service in the TDS service  
10 territories. However, in the state of New Hampshire, as of June 2006, the  
11 percentage of wireline customers subscribing to a broadband connection was only  
12 36.9 percent.<sup>20</sup>

13 **Q: Please summarize your discussion of competitive broadband availability?**

14 **A:** Competitive broadband service is not available to majority of the retail customers  
15 in each exchange in every TDS service territory. First, Mr. Reed does not provide  
16 evidence at the exchange level to support this claim. Instead, he provides  
17 evidence that some service is available in each exchange and that the 50 percent is  
18 met on the service territory level. Second, Mr. Reed assumes that if a DSL  
19 service or cable modem service is available then competitive broadband service is  
20 available to the customers. However, the competitive broadband service is  
21 available only if the customer has already purchased the underlying required  
22 broadband connection. The best indicators of the purchase of broadband

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<sup>19</sup> Company Response to OCA 2-1.

<sup>20</sup> FCC, High-Speed Service for Internet Access: Status as of June 30, 2006, Table 13; FCC, Local Telephone Competition: Status as of June 30, 2006, Table 7.

1 connections support the conclusion that less than 50 percent of retail customers  
2 have access to the competitive broadband service. In addition, a competitive  
3 alternative is available only if the competitors appear to be able to sustain their  
4 position in the market. Because competitors are struggling due to the results of  
5 recent court decisions, and there is a price squeeze between the price of stand-  
6 alone DSL and ILEC retail prices, it appears that these competitors may not able  
7 to sustain their position in the market.

8 **Q: How does Mr. Reed demonstrate that wireless service is available to the**  
9 **Petitioner's customers?**

10 **A:** In Attachments A through D to his testimony, Mr. Reed lists the number of  
11 wireless carriers that he believes operate in each TDS service territory.

12 **Q: Does the fact that wireless service is available equate to the criterion of**  
13 **available competitive wireless service?**

14 **A:** No. For wireless service to be competitive to TDS's service, customers must  
15 consider these services to be substitutes. If customers consider wireless and  
16 wireline services to be complements instead of substitutes, then wireless  
17 availability is not the equivalent of the availability of competitive wireless  
18 service.

19 **Q: What is the difference between substitutes and complements for a service?**

20 **A:** When services are substitutes one service would be used instead of the other  
21 service. When services are complements one service would be used in  
22 conjunction with the other service rather than as a replacement. More formally, if  
23 services are substitutes, when the price of the first service increases, the quantity

1 demanded of the second service would increase as consumers replace the usage of  
2 the first service with the second. If services are complements, when the price of  
3 the first service increases, the demand for the second service decreases as  
4 consumers conserve on the usage of both of the services. The classic example of  
5 complements is peanut butter and jelly. However, if you are hungry enough these  
6 two delicacies can become substitutes. Thus, whether goods and services are  
7 substitutes or complements can depend on how individuals use them.

8 **Q: Has Mr. Reed demonstrated that a majority of the customers consider**  
9 **wireless service a substitute for wireline service?**

10 **A:** No. Mr. Reed asserts that some customers have cut the cord and use only wireless  
11 service,<sup>21</sup> but he has not provided an estimate of how many customers are  
12 wireless only customers.<sup>22</sup> He infers from the fact that some number of  
13 customers are wireless only customers that wireless is a competitive substitute for  
14 wireline service.<sup>23</sup> As with the Petitioners' analysis of cable availability, this  
15 inference is not substantiated.

16 **Q: Are wireless and wireline services substitutes or complements?**

17 **A:** For a small minority of customers, these services are substitutes. However, for  
18 the overwhelming majority of customers, these services are complements. A  
19 major indicator of the percent of customers for whom the services are substitutes  
20 is the percent of households that have cut the cord. The latest national estimate of  
21 wireless only homes concludes that approximately 12.8 percent of American

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<sup>21</sup> Reed testimony, page 4, lines 14-16.

<sup>22</sup> Company Response to Staff 1-10

<sup>23</sup> Company Response to Staff 1-5.

1 households have cut the cord.<sup>24</sup> At the same time, approximately 86.2 percent of  
2 American households have wireless service, and approximately 84.5 percent of  
3 American households have wireline service.<sup>25</sup> These data imply that over 70  
4 percent of American households purchase both wireless and wireline services,  
5 indicating that wireless is not a substitute (i.e., competitive) service for a majority  
6 of customers.

7 **Q: Is there another indicator that a competitive alternative is not available to a**  
8 **majority of the Petitioners' customers?**

9 **A:** Yes. The fact that the Petitioners' Plan includes the ability to increase local rates  
10 by up to ten percent in any year indicates to me that the Petitioners do not believe  
11 that competition is available for a majority of its customers, and that the  
12 Petitioners are willing and able to exercise market power.

13 **Q: Does NH RSA 374:3-b allow carriers to propose plans that include a 10**  
14 **percent increase in basic rates in each of the four years after a plan is**  
15 **approved?**

16 **A:** Yes. The law allows a carrier to propose such a plan, but the law does not  
17 mandate that the plan include such rate increase authority. A carrier can propose  
18 a plan with a more limited rate increase authorization. Carriers that believe that  
19 majority of their customers have competitive alternatives would realize that such  
20 increases would reduce rather than increase their profits, and therefore realize that  
21 it is counter-productive to request the authority to increase rates by up to 10  
22 percent per year.

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<sup>24</sup> <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless200705.pdf>

<sup>25</sup> "Cellphone-only Homes Hit a Milestone," By Alex Mindlin, New York Times, August 27, 2007.

1 **Q: Why does a 10 percent rate increase indicate market power?**

2 **A:** Under the Department of Justice and Federal Trade Commission merger  
3 guidelines, if a company can sustain a small but significant price increase then the  
4 company has market power.<sup>26</sup> The general guideline for determining a small but  
5 significant price increase is a one-time five percent increase.<sup>27</sup> The Petitioner's  
6 Plan would allow for increases much greater than the guideline because the Plan  
7 would allow a 10 percent increase for each of four years or as high as 46 percent  
8 increase on a cumulative basis. On top of that increase, the Petitioners believe  
9 that it can increase rates again in the fifth year of the Plan to a maximum  
10 allowable rate of either \$14.39 or \$15.67.<sup>28</sup> This additional increase could lead to  
11 cumulative increases of 54, 55 and 114 percent in three of the Petitioner's 16  
12 exchanges.<sup>29</sup>

13 **Q: Do you agree with Mr. Reed that the decrease in access lines indicates the**  
14 **availability of competitive services to a majority of the Petitioner's retail**  
15 **customers?**

16 **A:** No. Mr. Reed has not shown that the decrease in access lines indicates the  
17 availability of competitive services to majority of retail customers. The decrease  
18 in access could be occurring for several reasons. The decrease could have been  
19 directly related to the increase in TDS DSL sales. The increase in DSL sales of  
20 <<Begin Confidential                      End Confidential>> from December 2003 to  
21 June 2007 more than offset the decrease of 3,617 access lines over that same

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<sup>26</sup> [http://www.usdoj.gov/atr/public/guidelines/horiz\\_book/hmg1.html](http://www.usdoj.gov/atr/public/guidelines/horiz_book/hmg1.html);

<sup>27</sup> Gregory J. Werden, "Demand Elasticities in Antitrust Analysis," 66 Antitrust L.J. 363 (1998);

<sup>28</sup> Company Response to OCA 2-11.

<sup>29</sup> Exhibit RL-6

1 period.<sup>30</sup> Customers with multiple lines could have been reducing lines dedicated  
2 to Internet dial-up service and replacing them with TDS DSL service. The trend  
3 in customers reducing their additional lines has been recorded by the FCC on a  
4 national level. Between 2001 and 2005, residential lines decreased by 19.6  
5 million.<sup>31</sup> Non-primary residential decreased by 14.2 million, indicating that 72  
6 percent of the reduction in residential lines is associated with a decrease in non-  
7 primary lines.<sup>32</sup> The decrease in non-primary lines reduced the percentage of  
8 non-primary lines of total residential from 21 percent in 2001 to 11 percent in  
9 2005.<sup>33</sup>

10 In addition, TDS NH business access lines decreased faster than TDS NH  
11 residential access lines from December 2004 to August 2007.<sup>34</sup> This pattern  
12 contradicts Mr. Reed's discussion because he focuses on cable, VoIP and wireless  
13 service. These services are generally highlighted in discussions of residential  
14 access line losses rather than discussions of business access line losses. On the  
15 other hand business line losses are generally associated with CLECs providing  
16 services using UNE loops. Because there are no CLECs operating in the TDS  
17 service territories and because Mr. Reed's alleged competitors focus on  
18 residential service, the expected result is that residential line losses should have  
19 been substantially greater than the business line losses.

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<sup>30</sup> Confidential Exhibit RL-3 and Exhibit RL-4.

<sup>31</sup> Exhibit RL-5

<sup>32</sup> Id.

<sup>33</sup> Id.

<sup>34</sup> Company Response to Staff 2-3 and Staff 2-4.

1 **Q: Do you agree with Mr. Reed that the FCC's order granting ETC status to a**  
2 **wireless carrier indicates that there is competition in the TDS NH service**  
3 **areas?**

4 **A:** No. The order confirms that RCC Minnesota, Inc. and RCC Atlanta, Inc.  
5 (collectively, "RCC") provides the nine supported services and is eligible to  
6 receive universal service support.<sup>35</sup> The order does not limit the total number of  
7 lines supported by the federal universal service fund. That is, a customer can  
8 purchase a supported line from TDS and a supported line or line equivalent from  
9 RCC. In that case, the customer would perceive the services as complements and  
10 not as competitive services.

11 **Q: Please summarize your criticisms of Mr. Reed's testimony.**

12 **A:** My major criticism of Mr. Reed's testimony is that the testimony failed to  
13 demonstrate that competitive wireline, wireless, and broadband service is  
14 available to a majority of the retail customers in each of the exchanges served by  
15 the TDS companies. With regard to wireline service, there are no cable  
16 companies or CLECs providing telephone service in any TDS company service  
17 territory. With regard to wireless service, this service is still considered to be  
18 complement to wireline service by over 70 percent of customers nationally, and  
19 we do not have data specific to these exchanges. Therefore, wireless service is  
20 not a competitive service to a majority of customers. With regard to broadband  
21 service, fewer than 50 percent of New Hampshire customers purchase a  
22 broadband connection, and therefore, less than a majority of customers have

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<sup>35</sup> In the Matter of Federal-State Joint Board on Universal Service, RCC Minnesota, Inc., and RCC Atlanta, Inc., Petition for Designation as an Eligible Telecommunications Carrier in the State of New Hampshire, CC Docket No. 96-45, *Order*, Released October 7, 2005, DA 05-2673, ¶¶ 13-17.

1 access to a competitive broadband service. In addition, because the company is  
2 requesting the authority to increase rates by a maximum of 10 percent per year for  
3 the next four years, this indicates to me that the Petitioner does not believe that  
4 competition is available for a majority of its customers, and that the Petitioner is  
5 willing and able to exercise market power.

6

7 **IV. THE TESTIMONY OF MR. TIMOTHY W. ULRICH**

8 **Q: Please summarize the testimony of Mr. Timothy W. Ulrich.**

9 **A:** Mr. Ulrich discusses the details of the TDS AFOR Plan. He highlights the need  
10 for additional pricing flexibility in the allegedly competitive environment. He  
11 notes that the Plan would facilitate a transition to a competitive  
12 telecommunications environment. He discusses the pricing provisions of the Plan  
13 including the impact of exogenous changes on prices. He describes a list of rules  
14 that he believes the TDS companies should adhere to during the course of the  
15 Plan. He suggests that the TDS companies are fulfilling their obligations as  
16 wholesale providers of telecommunications services and that the TDS carriers will  
17 continue to provide universal service at affordable rates.

18 **Q: Do you agree with Mr. Ulrich that the TDS companies need additional**  
19 **pricing flexibility at the present time?**

20 **A:** No. I disagree with Mr. Ulrich because, as I discussed above, competitive  
21 substitutes (i.e., competition) does not exist for a majority of TDS' retail  
22 customers at the present time. However, even if competition existed, Mr. Ulrich's  
23 claim is not supported by the TDS companies' conduct or the Commission's

1 oversight of that conduct. The carriers have rolled out three bundled service  
2 offerings, Total Talk in 2004, Smart Pack and Smart Pack Lite in 2006. Since the  
3 introduction of these services, the TDS companies have not requested any  
4 changes in the rates for these bundles.<sup>36</sup> The failure to request a change could  
5 mean one of several things: the price was set perfectly; the alleged increase in  
6 competition has not affected the market conditions since the time the rates were  
7 proposed; or the regulatory process for changing the price is so burdensome that  
8 TDS prefers to live with an improper price rather than attempt to request a  
9 change.

10 **Q: Is there any indication that there is a high regulatory burden associated with**  
11 **changing prices for bundles of telephone services?**

12 **A:** No. In the past, the Commission has acted promptly in its review of bundle  
13 prices. For example, the TDS carriers filed a petition for Total Talk rates on  
14 September 14, 2004 and the Commission issued Order No. 24,383 approving the  
15 proposed rates on October 8, 2004.

16 **Q: Are the TDS carriers burdened by the fact that the Commission may**  
17 **establish a price floor on bundle services related to the retail rate of**  
18 **regulated basic services?**

19 **A:** No. Because TDS is the dominant firm in the market, the Commission must  
20 ensure that its rates are not too low. Extremely low rates would create a subsidy  
21 from basic service customers to customers purchasing the bundles. At the same  
22 time, the extremely low rates would negatively impact the ability of potential

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<sup>36</sup> Company Response to Staff Data Request No. 1-48.

1 competitors to enter the market. Ensuring that rates are above a certain price  
2 means that the Commission cannot rely on the market to establish reasonable  
3 rates.

4 **Q: Will the proposed Plan facilitate the transition to a competitive**  
5 **telecommunications market?**

6 **A:** No. The proposed Plan will not facilitate the transition to a competitive market.  
7 Instead, it will retard the development of that market. This negative impact on  
8 competition occurs because the Plan allows the carriers to increase the rates for  
9 basic services and decrease rates for bundles. When competition enters formerly  
10 monopoly markets, the competitors have generally aimed their services at  
11 customers willing to buy a bundle of services. Very few of these competitors  
12 provide a service offering that competes with the basic local exchange service  
13 rate. Thus, an increase in the TDS basic service rates means that customers, who  
14 will have no alternative for that service when competitors enter the market, pay a  
15 lot more for their services, while TDS customers interested in purchasing bundles  
16 would receive discounts. This shift in relative prices requires basic service  
17 customers to provide the cash to support the carrier, while the burden of  
18 supporting the carrier is removed from other customers. Because it is one of the  
19 tasks of regulation to ensure that basic service rates reflect rates that would exist if  
20 there were competition in the basic service market, approval of a plan that allows  
21 for a shift in the relative rates not only denies the basic service customers the  
22 benefits of competition, but may in the long run deny non-basic service customers

1 the benefits of competition if the granting of price flexibility allows current  
2 dominant carriers to prevent potential competitors from entering.

3 **Q: Do you agree with Mr. Ulrich that the Plan will maintain universal service at**  
4 **affordable rates?**

5 **A:** No. The Plan allows the carriers to increase rates substantially, with the potential  
6 for harming the provision of universal service at affordable rates. For example,  
7 the Plan allows rates to increase by 7 to 8 percent in two exchanges, 28 to 30  
8 percent in 8 exchanges, 39 to 42 percent in three exchanges and greater than 50  
9 percent in three exchanges.<sup>37</sup> The national increase in local rates for the period of  
10 2000 to 2005 was only 8 percent.<sup>38</sup> Thus, the Plan allows rates to increase  
11 substantially faster than the national trend in all but two exchanges.

12 **Q: Do you agree with Mr. Ulrich's assertion that the Plan fulfills the TDS**  
13 **companies' obligations as a supplier of wholesale services?**

14 **A:** Based upon the information provided by the Petitioners, I agree that the TDS  
15 companies are fulfilling their current obligations. However, those obligations are  
16 associated with carriers that provide services to customers who do not have  
17 competitive alternatives. If the Plan is designed to facilitate the transition to a  
18 competitive telecommunications market, then the Plan is insufficient because it  
19 does not remove the exemption from the provision of UNEs that the TDS carriers  
20 are operating under (i.e., the "Rural Exemption").<sup>39</sup> In particular, the TDS

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<sup>37</sup> Exhibit RL-6

<sup>38</sup> FCC, Trends in Telephone Service, February 2007, Table 13.1 Average Residential Rates for Local Service in Urban Areas, 1986-2005.

<sup>39</sup> 47 U.S.C. 251(f)(1)(A).

1 companies do not have the duty to provide UNEs for loops or collocation services  
2 to a requesting telecommunications carrier.

3 **Q: Are there any competitive local exchange companies (“CLECs”) operating in**  
4 **the Petitioners’ service territories?**

5 **A:** No. TDS admits that “there are no CLECs serving customers in Petitioners’  
6 territories.”<sup>40</sup>

7 **Q: Would TDS be able to fulfill its obligations if it offered UNEs and adopted**  
8 **the current Verizon NH UNE rates?**

9 **A:** If TDS agreed to offer UNEs and adopt the current Verizon NH UNE rates that  
10 would fulfill the duty to provide UNEs to competitors. However, it is important  
11 to note that Verizon’s rural UNE line charge is \$25.<sup>41</sup> This rate is above all of the  
12 TDS residential rates, and is higher than the business rate in 14 of 16 TDS  
13 business exchanges.<sup>42</sup> Thus, competitors purchasing UNE loop services at the  
14 rural rate would not be able to compete with TDS, and thus, the offer would not  
15 alter the fact that majority of TDS’ retail customers do not have competitive  
16 services available to them. If a goal of the AFOR statute is to facilitate  
17 competition, TDS retaining the rural exemption clearly contradicts with that goal  
18 and will limit competitive alternatives for retail customers.

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<sup>40</sup> Company Response to OCA 1-20.

<sup>41</sup> Verizon New England Inc., NHPUC Tariff No. 84, Miscellaneous Network Services, Part M, Section 2, Page 5.

<sup>42</sup> Exhibit RL-6.

1                   **V.       CONCLUSIONS AND RECOMMENDATIONS**

2    **Q:**     Please summarize your conclusions.

3    **A:**     I have concluded that:

- 4                   • Competitive wireline, wireless or broadband service is not available to
- 5                   a majority of TDS retail customers.
- 6                   • For the majority of TDS retail customers, wireline and wireless
- 7                   services are not substitutes. Instead, these services are complements.
- 8                   • Cable telephone service is not available in the NH TDS service
- 9                   territories.
- 10                  • Independent VoIP providers are not offering a viable competitive
- 11                  service to the majority of TDS retail customers.
- 12                  • The proposed allowed rate increases are much higher than the national
- 13                  rate of increase and are anti-competitive. Such rate increases could
- 14                  endanger the provision of universal service at affordable rates.
- 15                  • The adoption of Verizon UNE rates by TDS would not support
- 16                  competitive entry into the TDS markets.

17   **Q:**     **Please summarize your recommendations.**

18   **A:**     I recommend that the Commission reject the petition to establish an AFOR Plan

19             for the TDS companies because competitive wireline, wireless or broadband

20             service is not available to a majority of TDS retail customers, and because the

21             Plan endangers the provision of universal service at affordable rates.

22   **Q:**     **Does this conclude your testimony?**

23   **A:**     Yes.

Vita

**Dr. Robert Loube**

Personal Data

Office Phone: 301-681-0338  
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Silver Spring, Maryland 20901  
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Education

Ph.D., Economics, Michigan State University, 1983  
M.A., Economics, University of Massachusetts-Amherst, 1971  
B.S., Economics, University of Maryland-College Park, 1969

Professional Experience

Utility Regulation

**Vice President**

**Rolka Loube and Saltzer Associates**

April 2007 to Present

Responsibilities include:

- Testified on behalf of the Maine Office of the Public Advocate in the Joint Application for Approvals Related to Verizon's Transfer of Property and Customer Relations to Company to be Merged with and into Fairpoint Communications, Inc. Maine Public Utilities Commission Docket No. 2007-67 on October 2, 2007.

**Director, Economic Research**

**Rhoads & Sinon, LLC**

April 2001 to March 2007

Responsibilities include:

- Testified on behalf of the Washington Public Counsel in the Matter of the Petition of Qwest Corporation to be Regulated Under An Alternative Form of Regulation, WUTC Docket No. UT-061625, March 14, 2007.
- Filed rebuttal testimony on behalf of the Pennsylvania Office of Consumer Advocate in the 2006 Annual Price Stability Index/Service Price Index of Buffalo Valley Telephone Company, Conestoga Telephone & Telegraph Company, and Denver & Ephrata Telephone & Telegraph Company, PA PUC Docket No. P-0098142F1000, filed January 5, 2007.
- Testified on behalf of the Attorney General Michael A. Cox, In the Matter of the Notice by AT&T Michigan Pursuant to sections 304(d) and 310a of the Michigan Telecommunications Act of an increase to the rate for primary basic local exchange service in the amount not to exceed AT&T Michigan's intrastate end user line charge in effect on July 1, 2005, MPSC Case No. 15036, filed January 30, 2007.
- Prepared comments on behalf of the Pennsylvania Office of the Consumer Advocate, FCC Intercarrier Compensation Workshop and Solicitation of Comments on the Missoula Plan, Pennsylvania Public Utility Commission Docket No. M-000061972.
- Prepared an affidavit on behalf of the National Association of Utility Consumer Advocates (NASUCA) and the Maine Office of the Public Advocate, In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286, filed August 22, 2006.
- Adviser to the Maryland office of the People's Counsel, In the Matter of Cavalier Telephone Midwest Atlantic for Breach of Interconnection Terms by Verizon Maryland, Inc., Case No. 9046.

- Testified on behalf of the Maine Office of Public Advocate in the Investigation Into Verizon Maine's Alternative Form of Regulation, Phase I, Docket No. 2005-155, October 17 and October 18, 2006.
- Prepared comments on behalf of the National Association of State Utility Consumer Advocates (NASUCA) In the Matter of the Federal-State Joint Board on Universal Service, CC Docket No. 96-45, filed March 27, 2006 (with David Gabel and the NASUCA Telecommunications Committee).
- Adviser to the Washington State Public Counsel in the Investigation of the Sprint-Nextel Merger, Washington Utilities and Transportation Docket No. UT-051291.
- Filed direct testimony on behalf of the Maine Office of Public Advocate in the Investigation Into Verizon Maine's Alternative Form of Regulation, Phase II, Docket No. 2005-155, January 13, 2006.
- Testified on behalf of the Maine Office of Public Advocate in the Investigation into Line Sharing, Maine Docket No. 2004-809, November 18, 2005.
- Adviser to the U.S. Department of Justice in United States of America v. Coastal Utilities, Inc., Case No. CV-404-90.
- Testified on behalf of the Maine Office of Public Advocate in Verizon Communications, Inc. and MCI, Inc., Review of Joint Application for Approval of Merger, Maine Docket No. 2005-154, September 29, 2005.
- Filed direct, rebuttal and surrebuttal testimony on behalf of the Office of Consumer Advocate in Pennsylvania Docket No. C-20027195, June 8, June 29, and July 11 2005.
- Filed a rebuttal declaration regarding price floor issues on behalf of The Utility Reform Network in re: Investigation on the Commission's Own Motion into Open Access and Network Architecture Development of Dominant Carrier Networks, Verizon UNE Phase, Investigation 93-04-

002, filed April 1, 2005.

- Filed a price floor declaration on behalf of The Utility Reform Network in re: Investigation on the Commission's Own Motion into Open Access and Network Architecture Development of Dominant Carrier Networks, Verizon UNE Phase, Investigation 93-04-002, filed January 28, 2005.
- Filed direct testimony on behalf of Public Counsel and AARP in re: WUTC v. Verizon, Docket No. UT-040788, before the Washington Utilities and Transportation Commission, December 17, 2004.
  
- Filed a rebuttal declaration on behalf of The Utility Reform Network in re: Investigation on the Commission's Own Motion into Open Access and Network Architecture Development of Dominant Carrier Networks, Verizon UNE Phase, Investigation 93-04-002, filed November 9, 2004
- Prepared a report on the State of Telecommunications Services in Nevada for the subcommittee to study telecommunications service in Nevada, August 2004,
- Filed a declaration on behalf of The Utility Reform Network in re: Investigation on the Commission's Own Motion into Open Access and Network Architecture Development of Dominant Carrier Networks, Verizon UNE Phase, Investigation 93-04-002, filed August 6, 2004
- Filed expert rebuttal testimony on behalf of the Staff of the South Carolina Commission in re: Implementation of requirements Arising from Federal Communications Commission Triennial UNE review: Local Circuit Switching for mass market customers, SC PSC Docket No. 2003-326-c.
- Testified on behalf of the Pennsylvania Office of Consumer Advocate in re: Investigation into the Obligations of Incumbent Local Exchange Carriers to Unbundle Network Elements, PA PUC Docket No. I-0030099.
- Prepared an Affidavit for the National Association of State Utility Consumer Advocates in the Matter of the Review of Commission's Rules Regarding The Pricing of Unbundled Network Elements And the Resale of Service by Incumbent Local Exchange Carriers, WC Docket No. 03-173 (with David Gabel).

- Provided expert advice to the Cities of Austin, Dallas, Fort Worth, and Hereford in Southwestern Bell Telephone Company's Filing To Establishing Surcharges Resulting From District Court Remand Of PUC Final Order In Docket No. 18509, SOAH Docket No. 473-03-1620, Texas PUC Docket No. 26719.
- Filed expert testimony on behalf of the Staff of the Nevada Public Utilities in The Petition of Nevada Bell for an Order commencing a proceeding to determine the costs and rates for unbundled network elements, Docket No. 00-7012
- Prepared comments for the National Association of State Utility Consumer Advocates in the Matter of Cost Review Proceeding for Residential and Single-Line Business Subscriber Line Charge Cap, FCC CC Docket No. 96-262 (with David Gabel)
- Technical Adviser to the Alabama Public Service Commission in the Generic Proceeding to Establish Prices for Interconnection Services and Unbundled Network Elements - Docket No. 27821
- Prepared reply comments for the Office of the People's Counsel of the District of Columbia In the Matter of Developing a Unified Inter-carrier Compensation Regime, FCC CC Docket No. 01-92.
- Assisted the Universal Service Administrative Company in managing the interstate common line and model support programs.

**Industry Economist, GS 301-15**  
**Federal Communications Commission**  
May 1996 to April 2001

Responsibilities include:

- Established the criteria for choosing the universal service economic cost model;
- Evaluated and modified telephone cost models;

- Determined the input values used in telephone cost models;
- Served on the FCC staff of the Federal State universal service joint board;
- Developed and evaluated alternative universal service funding proposals;
- Developed and compared alternative jurisdiction separations allocators with regard to the impact of the allocators on state and federal jurisdictional responsibilities;
- Reviewed orders of other divisions to ensure that those orders complement the tasks and mandates of the Accounting Policy Division;
- Conducted special studies for use by the Chairman, Commissioners, Bureau Chief or Division Chief
- Provided technical economic advice to the division legal staff regarding common carrier operations and regulatory policy.

**Director, Office of Economics**  
**Public Service Commission of the District of Columbia,**  
July 1993 to May 1996

Responsibilities include:

- Supervised the preparation of staff testimony in telephone, electric and gas utility cases.
- Represented the Commission on the Staff of Federal State Separations Joint Board.
- Prepared and presented testimony on the strategic approach to electricity demand side management and least cost planning principles.
- Represented the Commission on the National Association of Regulatory Utility Commissioners Communications Committee's universal service and access reform working groups.

**Acting Director, Office of Economics**  
**Public Service Commission of the District of Columbia,**  
February 1993 to July 1993

Responsibilities include:

- Prepared comments on FERC Notices of Proposed Rulemaking.
- Represented the Commission on the telephone quality of service and low-income program working groups.

**Senior Telecommunications Economist**  
**Public Service Commission of the District of Columbia,**  
May 1989 to the February 1993

Responsibilities include:

- Prepared and presented testimony regarding telephone rate structure, competition in telephone markets, embedded cost studies, and long run incremental cost studies.
- Represented the Commission on digital deployment and generic cost manual working groups.
- Represented the Commission on the staff of the 410B Joint Federal/State Conference on Open Network Architecture.
- Prepared comments on FCC Notices of Proposed Rulemaking.

**Econometrician,**  
**Indiana Utility Regulatory Commission,**  
March 1988 to May 1989

Responsibilities include:

- Developed electric energy and demand forecasts.
- Supervised consultants developing economic and demographic models for utility service territories.
- Represented the Commission on the Executive Committee on Intrastate Access Charges.

**Principal Utility Analyst,**  
**Indiana Utility Regulatory Commission,**  
January 1986 to March 1988

Responsibilities include:

- Prepared and presented testimony regarding demand forecasting for telephone and electric services, cost of equity and long run marginal cost.
- Contributed to staff reports on energy and demand forecasts.
- Developed financial forecasts for electric utilities.

International Consulting

Telephone Organization of Thailand, conducted a Tariff and Cost Workshop for Senior Management and Staff, Bangkok, February 5-7, 2001. Contractor: Booz, Allen & Hamilton, Inc.

Ministry of Communications, Indonesia, drafted a report on best practices guidelines for Universal Service Obligations, and conducted round-table with the Ministry of Communications staff and with the U. S. telecommunications community, Jakarta, August 20-September 9, 2000. Contractor: Nathan Associates, Inc.

Teaching

**Assistant Professor,**  
**James Madison University,**  
September 1983 to December 1985

**Instructor,**  
**James Madison University,**  
September 1979 to June 1983

Courses Taught: Industrial Regulation, Industrial Organization (undergraduate and MBA), Intermediate Macroeconomic Theory, Economic Analysis (MBA), Principles (Macro and Micro)

Other

Economist in the Office of Director, Bureau of Economic Analysis,  
Department of Commerce, Washington D.C.,  
November 1972 to September 1975

Publications

"The Telecommunications Act of 1996: Residential Rates and  
Competition," *Utilities Policy*, September 2004.

"Universal Service: How much is enough?" *Journal of Economic  
Issues*, June 2003.

"Public Interest Regulation, Common Costs and Universal Service,"  
eds. Edythe S. Miller and Warren J. Samuels, *An Institutional  
Approach to Public Utilities Regulation*, Michigan State  
University Press, 2002.

"Price Cap Regulation: Problems and Solutions," *Land Economics*,  
Vol. 71, Number 3, August 1995.

"Measuring the Total Service Long-Run Incremental Cost," *Ninth  
NARUC Biennial Regulatory Information Conference*, September 1994  
(with David Gabel and Mark Kennet).

"The Proper Use of Stand Alone Cost Studies," *Ninth NARUC  
Biennial Regulatory Information Conference*, September 1994.

"State Experience in InterLATA Toll Deregulation," *Journal of  
Economic Issues*, Vol. XXVIII, No. 2, June 1994 (with Labros  
Pilalis).

"Price Caps and Cross-subsidization," *Eighth NARUC Biennial  
Regulatory Information Conference*, Ohio State University, 1992.

"The Institutional Conditions for Technological Change: Fiber to  
the Home," *Journal of Economic Issues*, Vol. XXV, No. 4, December  
1991.

"Fiber to the Home: A Competitive Analysis," *Seventh NARUC  
Biennial Regulatory Information Conference*, Ohio State  
University, 1990.

"The Return of the Electric Utility Holding Company and the  
Future of the Electric Supply Industry," *Journal of Economic  
Issues*, Vol. XXIII, No. 2, June 1989.

"Impact of the National Appliance Energy Conservation Act on Residential Energy Consumption within a Service Territory," *Sixth NARUC Biennial Regulatory Information Conference*, Ohio State University, 1988 (with Katri Clodfelder).

*A Summary of Future Demand Trends and Capacity Plans for Major Electric Utilities in Indiana*, Public Service Commission of Indiana, Indianapolis, Indiana, 1987 (with Wayne Lash, et al).

*Electric Demand and Supply Planning for the State of Indiana*, Public Service Commission of Indiana, Indianapolis, Indiana, 1985 (with Wayne Lash, et al).

"District Heating and Regulatory Reform," *Proceedings of the Seventy-Fifth Annual Conference of the International District Heating Association*, Washington D.C.: IDHA 1984.

*State and Local Regulation of District Heating and Cooling Systems: Issues and Options*, Argonne, Illinois: Argonne National Laboratory, 1981 (with Philip Kier, et al).

"Michigan's Hydroelectric Potential," *The Michigan State Economic Record*, Volume 20, Number 7 (July-August 1978), Division of Research, Graduate School of Business, Michigan State University.

#### Staff Testimony

Before the Public Service Commission of the District of Columbia:

Formal Case No. 929 The Application of Potomac Electric Power Company for an Increase in its Retail Rates for the Sale of Electric Energy.

Principal Issues: Class Revenue Responsibility, Rate Structure and Low Income Rates.

Formal Case No. 926 The Application of The Chesapeake and Potomac Telephone Company for Authority to Establish a Revenue Requirement and to Increase and Restructure its Schedule of Rates and Charges

Principal Issues: Centrex burden and the Centrex embedded cost study.

Formal Case No. 917

Phase II

The Application of Potomac Electric Power Company For Approval of its Third Least Cost Plan

Principal Issues: The Strategic Approach to DSM Develop and Implementation, Level of DSM Spending, Appropriate Standards by Which DSM Expenses Should Be Judged Prudent, and Rate Design and Least-Cost Planning Principles.

Formal Case No. 891 The Application of Chesapeake and Potomac Telephone Company to Offer Return Call and Caller ID Within the District of Columbia

Principal Issues: Tying Arrangements Between Sales of Equipment and Services, and Public Policy Issues Associated With the Offering of Caller ID

Formal Case No. 850 Investigation into the Reasonableness of the Authorized Return on Equity, Rate of Return, and Current Charges and Rates for Telecommunications Services Offered by the Chesapeake and Potomac Telephone Company

Principal Issues: Rate Design, Incremental Cost and Embedded Cost Studies

Formal Case No. 814

Phase III

Investigation into the Impact of AT&T Divestiture and Decisions of the Federal Communications Commission on the Chesapeake and Potomac Telephone Company's Jurisdictional Rates

Principal Issues: Flexible pricing, incremental cost studies, tests for the existence of competition, criteria for measuring alternative regulatory plans.

Formal Case No. 814 Investigation into the Impact of AT&T Divestiture and Decisions of the Federal Communications Commission on the Chesapeake and Potomac Telephone Company's Jurisdictional Rates

Principal Issues: The Use of Cross Elasticity Studies and Market Surveys to Define Markets for Telecommunications Services

Telephone Tariff

91-3 Investigation of the Chesapeake and Potomac Telephone Company's General Regulations Tariff No. 201, Section 1  
Principal Issues: Regulatory safeguards and costs of pre-approval of special assemblies

Before the Indiana Utility Regulatory Commission:

Cause No. 38665 Joint Petition of Century Telephone Enterprises, Inc., Odon Telephone Co., Inc. and Colonial Telephone Company, Inc.  
Principal Issue: Approval of the Purchase of Odon by Century

Cause No. 38560 Petition of Northern Indiana Public Service Company  
Principal Issues: Economic Development Rates and Long Run Marginal Cost

Cause No. 38426 Petition of GTE-Indiana  
Principal Issues: Revenue Adjustment, Cross-Subsidization, Cost Methodology and Demand Repression

Cause No. 38415 Petition of Public Service Company of Indiana  
Principal Issue: Financing Authority

Cause No. 38302 Joint Petition of Indiana Gas Company, Inc. and Westport Natural Gas Company, Inc.  
Principal Issue: Acquisition Adjustment

Cause No. 38158-S1 Investigation to Determine the Extent of Regulation of Pay Telephone Equipment  
Principal Issue: Regulation of IXC-Owned Pay Phones

Cause No. 38158 Investigation to Determine the Extent of Regulation of Pay Telephone Equipment  
Principal Issues: Deregulation and Rate Structure

Cause No. 38061 Petition of Midwest Natural Gas Corporation  
Principal Issue: Cost of Equity

Cause No. 38059 Petition of Indiana Bell Telephone Company, Inc.  
Principal Issues: Local Measured Service and Long Run Marginal Cost

Cause No. 38045 Petition of Northern Indiana Public Service Company

Principal Issues: Demand Forecasting, Financial Viability  
and Regulatory Policy with Regard to Excess Capacity

Cause No. 38034 Petition of Odon Telephone Company, Inc.  
Principal Issues: Acquisition Adjustment, Cost of Equity,  
Financing Authority, and Service Improvement Program

Cause No. 37938 Petition of Northern Indiana Public Service  
Company  
Principal Issues: Economic Development Rates

Cause No. 37927 Petition of United Telephone of Indiana  
Principal Issues: Cost of Equity

Cause No. 37866 Petition of Hoosier Energy Rural Electric  
Cooperative, Inc., et al.  
Principal Issues: Economic Development Rates and Long Run  
Marginal Cost

Cause No. 37814 Petition of United Telespectrum of Indiana, Inc.  
Principal Issue: Certificate of Territorial Authority

Cause No. 37735 Petition of Westport Natural Gas Company, Inc.  
Principal Issue: Cost of Equity

Cause No. 37706 Petition of Midwest Natural Gas Corporation  
Principal Issue: Cost of Equity

Cause No. 37686 Petition of Indiana Bell Telephone Company, Inc.  
Principal Issue: Demand Repression

Cause No. 37414 Petition of Public Service Company of Indiana  
Principal Issues: Forecasting Methodology and Capacity  
Planning

#### Lectures

"Network Neutrality and Service Quality," and "Telecommunications  
Pricing," NARUC Advanced Regulatory Studies Program, June 2006.

"Public Utility Pricing," "Retail Pricing in Telecommunications,"  
and "Cost Models in Telecommunications," NARUC Annual Regulatory  
Studies Program, August 2004.

"Retail Pricing in Telecommunications," NARUC Annual Regulatory Studies Program, August 2003.

"The Evolution of Telecommunications Pricing," NARUC Annual Regulatory Studies Program, August 2002.

"Federal Restructuring of the Telecommunications Industry," "Federal Universal Service Programs," and "State Universal Service Programs," NARUC Annual Regulatory Studies Program, August 2001.

"Cost Modeling in Telecommunications," NARUC Annual Regulatory Studies Program, August 2000.

"Cost Modeling in Telecommunications," NARUC Annual Regulatory Studies Program, August 1999.

"Cost Modeling and Universal Service," NARUC Annual Regulatory Studies Program, August 1998.

"Cost Modeling in Telecommunications," NARUC Annual Regulatory Studies Program, August 1997.

"Policy Issues Raised by Performance-Based Incentive Systems," Public Policies Toward Competition in the Electric Power Industry, Wisconsin Public Utility Institute, October 1994.

"Cost Allocations in Broadband Networks," NARUC Annual Regulatory Studies Program, August 1994.

"Pricing Concepts and the Control of Price Discrimination in Advanced Telecommunications Networks: Issues and Methods," NARUC Advanced Regulatory Studies Program, January 1994.

"Cost Allocation in Advanced Telecommunications Networks: Issues and Methods," NARUC Annual Regulatory Studies Program, August 1993.

"A Review of Incentive Regulation," CAMPUT 7th Annual Regulatory Conference, Banff Canada, May 1993.

"New Social Contracts: Telecommunications Policy for the 21st Century," Annual Meeting of the Association of Evolutionary Economics, January 1993.

"Modernization: Who Pays? Who Benefits?," NARUC Annual Regulatory Studies Program, August 1992.

"Who Determines the Costs and Prices for Access to the Infrastructure," Telecommunications Policy: Agenda for the 21st Century Conference, The Michigan Divestiture Research Fund, March 1992.

"The New Social Contract," State Policies for Developing the Telecommunications Infrastructure Forum, Wisconsin Public Utility Institute, December 1991.

"RBOC Strategic Reactions to Entry," Atlantic Economic Society Annual Conference, Washington, D.C., October 1991.

#### Industry Committees

Federal Staff of the Federal-State Joint Board of CC Docket No. 80-286 (June 1999 to April 2001).

Federal Staff of the Federal-State Joint Board of CC Docket No.96-45 (May 1996 to April 2001).

National Association of Regulatory Utility Commissioners (NARUC) Staff Subcommittee on Communications (1994-1996).

State Staff of the Federal-State Joint Board of CC Docket No.80-286 (1991-1996).

#### Professional Associations

Member:                    American Economic Association  
                                 Association for Evolutionary Economics







Exhibit RL-4		TDS Access Line Counts				
total access lines	MCT	Kearsarge	Wilton	Hollis	Total	
Dec-04	17792	10429	3690	3552	35463	
Dec-05	17458	10223	3582	3431	34694	
Dec-06	16891	9966	3484	3318	33659	
Aug-07	16314	9387	3246	3206	32153	
Percent Change					-9.3%	
Residential	MCT	Kearsarge	Wilton	Hollis	Total	
Dec-04	13348	7413	2701	2869	26331	
Dec-05	13032	7239	2589	2756	25616	
Dec-06	12585	6995	2489	2645	24714	
Aug-07	12238	6818	2420	2599	24075	
Percent Change					-8.6%	
Business	MCT	Kearsarge	Wilton	Hollis	Total	
Dec-04	4444	3016	989	683	9132	
Dec-05	4426	2984	993	675	9078	
Dec-06	4306	2971	995	673	8945	
Aug-07	4076	2569	826	607	8078	
Percent Change					-11.5%	

Exhibit RL-5		FCC Additional Line Counts		
Year	primary residential lines	non-primary residential lines	total residential lines	percent non-primary
2001	101	26.3	127.3	21%
2002	102.2	18.4	120.6	15%
2003	102.1	16	118.1	14%
2004	100.1	13.8	113.9	12%
2005	95.6	12.1	107.7	11%
change from	5.4	14.2	19.6	
Source: FCC Telephone Trends, Table 7.4 Additional Residential Lines for Households with Telephone Service				

## Exhibit RL-6

## TDS Rates and Maximum Rate Increases

exchange	residential rate	business rate	max proposed residential rate	percentage change in residential rate-max to current
Andover	10.17	22.04	14.39	41.5%
Boscawen	14.39	30.27	15.67	8.9%
Chichester	10.07	18.45	15.67	55.6%
Meriden	12.07	26.12	15.67	29.8%
New London	11.02	23.91	14.39	30.6%
Salisbury	9.37	20.28	14.39	53.6%
Hollis	14.59	22.87	15.67	7.4%
Wilton	6.72	15.32	14.39	114.1%
Contoocook	\$11.20	19.38	15.67	39.9%
Hillsborough	\$11.20	19.38	14.39	28.5%
Warner	\$11.20	19.38	14.39	28.5%
Sutton	\$11.20	19.38	14.39	28.5%
Bradford	\$11.20	19.38	14.39	28.5%
Henniker	\$11.20	19.38	14.39	28.5%
Antrim	\$11.20	19.38	14.39	28.5%
Melvin Village	\$11.20	19.38	14.39	28.5%

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
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September 4, 2007

OCA 1-2: Is "naked DSL" offered by TDS and available to a majority of your retail customers in any of your NH exchanges? If so, please identify in which exchanges and at what price the service is available?

Response:

No.

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
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September 4, 2007

OCA 1-20: How many wireline CLECs are serving customers in each TDS exchange? How many lines are served by each of those CLECs in each exchange: by residential and non-residential?

Response:

There are no CLECs serving customers in Petitioners' territories.

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To OCA Set 1 Data Requests  
September 4, 2007

**CONFIDENTIAL**

OCA 1-46: Please provide a list of communities where each cable provider provides telephone service in a TDS study area in New Hampshire by study area.

Response:

Petitioner is not aware of any communities within the TDS study area where a cable provider is offering telephone service at this time, although the website of Comcast indicates digital phone is available in some exchanges. **[BEGIN**

**CONFIDENTIAL**

**END**

**CONFIDENTIAL]** VoIP service would be available wherever the cable broadband service is available.

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To OCA Set 1 Data Requests  
September 4, 2007

OCA 1-48: Please provide a list of zip codes where each cable provider provides video service in a TDS study area in New Hampshire by study area.

Response:

The Petitioners object to OCA Data Request 1-48 on the grounds that the data request is overbroad and unduly burdensome. Subject to and without waiving these objections, the Petitioners will provide information responsive to this data request.

KTC

Comcast:

03216

03257

03258

03268

03303

03770

WTC

Comcast: 03086

HTC

Charter Communications: 03049

MCT

Comcast:

03229

03242

03244

03440

03850

MCT Cable:

03221

03260

03273

03278

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To OCA Set 1 Data Requests  
September 4, 2007

## CONFIDENTIAL

OCA 1-53: Please provide the number of former TDS residential customers that have ported their telephone number to a cable provider and no longer purchase TDS service by study area. Also provide the number of numbers ported to the cable provider.

Response:

Petitioners have no numbers that have been ported to a cable provider or a CLEC acting on behalf of the cable provider. **[BEGIN CONFIDENTIAL**

**END CONFIDENTIAL]** We fully expect number portability as defined in 251(b) of the Telecommunications Act of 1996 will be requested and we are capable of porting numbers in all exchanges in New Hampshire.

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To OCA Set 1 Data Requests  
September 4, 2007

OCA 1-56: Please provide the number of white pages residential numbers that *are* associated with cable providers by cable provider in each TDS study area.

Response:

Once a residential customer becomes the customer of a competitor, they are not included in the TDS system unless it is specified by the interconnection agreement and is requested by the carrier, cable company acting as a carrier or the carrier used the cable company. In New Hampshire, this arrangement is not complete and, therefore, there are no cable customer white pages listings.

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To OCA Set 2 Data Requests  
September 26, 2007

OCA 2-1: Please provide a copy of Form 477 filings with the Federal Communications Commission for each TDS New Hampshire Incumbent Local Telephone Carrier for the years 2004 through 2007 year-to-date. Please provide updated information as it becomes available.

Response:

Please see Confidential Attachments TDS-CONF 0096-0148.

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To OCA Set 2 Data Requests  
September 26, 2007

OCA 2-11: If TDS' proposal for an AFOR is approved by the Commission, please provide a chart showing today's basic residential rates for each exchange and the maximum rate they could increase to in each of the next 5 years by year (excluding exogenous changes).

Response:

The chart below assumes that the comparable rates charged by Verizon do not change over the next 5 years. These maximum potential rates are computed per RSA 374:3-b and are illustrative only.

Exchange	R1 Rate	Rate Cap	Year 1 Max R1 Rate	Year 2 Max R1 Rate	Year 3 Max R1 Rate	Year 4 Max R1 Rate	Year 5 Max R1 Rate
Hollis	\$14.59	\$15.67	\$15.67	\$15.67	\$15.67	\$15.67	\$15.67
Wilton	\$6.72	\$14.39	\$7.39	\$8.13	\$8.94	\$9.84	\$14.39
Meriden	\$12.07	\$15.67	\$13.28	\$14.60	\$15.67	\$15.67	\$15.67
New London	\$11.02	\$14.39	\$12.12	\$13.33	\$14.39	\$14.39	\$14.39
Andover	\$10.17	\$14.39	\$11.19	\$12.31	\$13.54	\$14.39	\$14.39
Boscawen	\$14.39	\$15.67	\$15.67	\$15.67	\$15.67	\$15.67	\$15.67
Salisbury	\$9.37	\$14.39	\$10.31	\$11.34	\$12.47	\$13.72	\$14.39
Chichester	\$10.07	\$15.67	\$11.08	\$12.18	\$13.40	\$14.74	\$15.67
Contoocook	\$11.20	\$15.67	\$12.32	\$13.55	\$14.91	\$15.67	\$15.67
Hillsborough	\$11.20	\$14.39	\$12.32	\$13.55	\$14.39	\$14.39	\$14.39
Warner	\$11.20	\$14.39	\$12.32	\$13.55	\$14.39	\$14.39	\$14.39
Sutton	\$11.20	\$14.39	\$12.32	\$13.55	\$14.39	\$14.39	\$14.39
Bradford	\$11.20	\$14.39	\$12.32	\$13.55	\$14.39	\$14.39	\$14.39
Henniker	\$11.20	\$14.39	\$12.32	\$13.55	\$14.39	\$14.39	\$14.39
Antrim	\$11.20	\$14.39	\$12.32	\$13.55	\$14.39	\$14.39	\$14.39
Melvin Village	\$11.20	\$14.39	\$12.32	\$13.55	\$14.39	\$14.39	\$14.39

Timothy W. Ulrich is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To Staff Set 1 Data Requests  
September 4, 2007

STAFF 1-10: Reed Testimony, Page 3, line 30. Has TDS estimated what fraction of wireless customers in New Hampshire's TDS territory do not have wireline telephony at all?

- a. If so, please report the estimate.
- b. If not, please estimate the aforementioned fraction.

Response:

No. Petitioners do not have data regarding the total number of wireless customers to make this calculation.

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
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To Staff Set 1 Data Requests  
September 4, 2007

STAFF 1-11: Reed Testimony, Page 3, line 30. Has TDS estimated what fraction of broadband customers in New Hampshire's TDS territory do not have wireline telephony at all?

- a. If so, please report the estimate.
- b. If not, please estimate the aforementioned fraction.

Response:

No. Petitioners do not have the data on total broadband customers from which to calculate this fraction.

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To Staff Set 1 Data Requests  
September 4, 2007

STAFF 1-15: Reed Testimony, Page 5, lines 5-7. "While the competition and competitors vary in each exchange, customers have alternatives and are using them." Are you suggesting that all customers in each exchange are using the alternatives to wireline telephony specifically for basic local service?

- a. If the answer is in the affirmative, please provide support on an exchange-by-exchange basis for your position.
- b. If the answer is in the negative, please demonstrate that majority of the customers in each exchange served by the companies are using alternatives to wireline telephony specifically for basic local service.

Response:

Petitioners are not suggesting that *all* customers in *each exchange* are using alternatives to wireline telephony specifically for basic local service. As required by the statute, competitive wireline, wireless, or broadband service is available to a majority of the retail customers in each of the exchanges served by the small incumbent local exchange carrier. In addition, the Petitioners have measured the effects of competition on the companies with three key indicators; loss of intrastate access minutes, loss of state switched access revenue, and loss of access lines.

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To STAFF Set 2 Data Requests  
September 26, 2007  
Supplemental Response Dated October 5, 2007

STAFF 2-2: Reed Testimony: Please provide monthly data on the number of access lines with basic local service for the period Jan. 2004 to August 2007 for each TDS exchange (also provide an electronic copy of this data).

Response:

The Petitioners object to Staff Data Request 2-2 on the grounds that the data request is overbroad and unduly burdensome. The information requested is not maintained in the monthly format requested in the ordinary course of business and would need to be re-created manually at substantial time and expense. (Internal monthly access line information does not reconcile to annually reported information due to the inclusion of items such as official lines, test lines, ISDN circuits, etc. in the monthly figures.) Subject to and without waiving these objections, the Petitioners will provide information responsive to Staff Data Request 2-2.

Information has been compiled as of the end of each year and August 2007.

MCT Total Access Lines

Period	Total Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	17,792				
12/31/2005	17,458	( 334)	(334)	-1.88%	-1.88%
12/31/2006	16,891	( 567)	(901)	-3.25%	-5.06%
08/31/2007	16,314	( 577)	(1478)	-3.42%	-8.31%

Kearsarge Total Access Lines

Period	Total Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	10,429				
12/31/2005	10,223	( 206)	(206)	-1.98%	-1.98%
12/31/2006	9,966	( 257)	(463)	-2.51%	-4.44%
08/31/2007	9,387	( 579)	(1042)	-5.81%	-9.99%

STAFF 2-2 Response Continued, Page 2:

Wilton Total Access Lines

Period	Total Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	3,690				
12/31/2005	3,582	( 108)	(108)	-2.93%	-2.93%
12/31/2006	3,484	( 98)	(206)	-2.74%	-5.58%
08/31/2007	3,246	( 238)	(444)	-6.83%	-12.03%

Hollis Total Access Lines

Period	Total Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	3,552				
12/31/2005	3,431	( 121)	(121)	-3.41%	-3.41%
12/31/2006	3,318	( 113)	(234)	-3.29%	-6.59%
08/31/2007	3,206	( 112)	(346)	-3.38%	-9.74%

Supplemental Response:

Staff has requested additional information for monthly data by exchange if possible agreeing to take data from different sources or systems that may not be consistent with other data provided in this case.

The monthly data by exchange taken from different reporting that provides total access line data which includes official lines and lines in service for only a portion of the monthly billing cycle. In addition, the lines are not factored for equivalency ratios. Therefore, an exact match to access line data provided in testimony and other responses to data requests cannot be made. The Petitioners are also providing the original response access line data by exchange for the four periods.

See Attachments TDS 0180-0184.

Michael C. Reed is responsible for this response.

**SUPPLEMENTAL RESPONSE  
STAFF 2-2 THROUGH STAFF 2-4**

EXCHANGE	RESIDENTIAL				BUSINESS				TOTAL			
	Dec-04	Dec-05	Dec-06	Aug-07	Dec-04	Dec-05	Dec-06	Aug-07	Dec-04	Dec-05	Dec-06	Aug-07
Contoocook	2,805	2,750	2,630	2,576	877	873	829	884	3,682	3,623	3,459	3,460
Hillsborough	2,582	2,527	2,400	2,290	968	946	948	880	3,550	3,473	3,348	3,170
Warner	1,273	1,246	1,214	1,184	564	582	571	377	1,837	1,828	1,785	1,561
Sutton	679	672	657	642	220	195	213	209	899	867	870	851
Bradford	1,575	1,544	1,528	1,518	379	341	302	302	1,954	1,885	1,830	1,820
Henniker	1,757	1,695	1,610	1,559	895	916	874	873	2,652	2,611	2,484	2,432
Antrim	1,929	1,868	1,831	1,766	410	429	427	416	2,339	2,297	2,258	2,182
Melvin Village	748	730	715	703	131	144	142	135	879	874	857	838
Total MCT	13,348	13,032	12,585	12,238	4,444	4,426	4,306	4,076	17,792	17,458	16,891	16,314
New London	2,808	2,721	2,626	2,572	1,730	1,708	1,680	1,337	4,538	4,429	4,306	3,909
Andover	1,055	1,050	993	972	275	282	282	294	1,330	1,332	1,275	1,266
Boscawen	788	761	731	713	277	250	283	281	1,065	1,011	1,014	994
Salisbury	913	907	893	866	132	133	130	128	1,045	1,040	1,023	994
Chichester	1,347	1,311	1,271	1,234	464	472	459	399	1,811	1,783	1,730	1,633
Meriden	502	489	481	461	138	139	137	130	640	628	618	591
Total Kearsarge	7,413	7,239	6,995	6,818	3,016	2,984	2,971	2,569	10,429	10,223	9,966	9,387
Wilton	2,701	2,589	2,489	2,420	989	993	995	826	3,690	3,582	3,484	3,246
Hollis	2,869	2,756	2,645	2,599	683	675	673	607	3,552	3,431	3,318	3,206

SUPPLEMENTAL RESPONSE STAFF 2-2  
 MONTHLY TOTAL ACCESS LINE COUNT BY EXCHANGE

2004		TOTAL ACCESS LINES											
EXCHANGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Antrim	2,372	2,374	2,375	2,369	2,370	2,401	2,408	2,417	2,397	2,391	2,387	2,377	
Bradford	1,928	1,930	1,933	1,925	1,926	1,944	1,942	1,943	1,939	1,929	1,928	1,922	
Contoocook	3,720	3,710	3,680	3,664	3,672	3,701	3,723	3,719	3,704	3,678	3,694	3,649	
Henniker	2,685	2,683	2,682	2,687	2,678	2,672	2,645	2,635	2,628	2,617	2,596	2,577	
Hillsborough	3,584	3,601	3,610	3,622	3,621	3,627	3,633	3,630	3,622	3,625	3,610	3,609	
Melvin Village	932	929	922	924	925	942	942	940	943	927	924	915	
Sutton	873	867	866	869	903	908	915	918	917	916	915	909	
Warner	1,691	1,676	1,673	1,682	1,685	1,692	1,687	1,681	1,689	1,691	1,690	1,689	
Andover	1,364	1,352	1,358	1,358	1,351	1,375	1,380	1,383	1,359	1,352	1,347	1,339	
Boscawen	1,106	1,104	1,099	1,091	1,088	1,091	1,102	1,100	1,099	1,099	1,092	1,093	
New London	4,199	4,197	4,193	4,192	4,216	4,200	4,213	4,228	4,208	4,363	4,211	4,202	
Salisbury	1,091	1,090	1,091	1,087	1,086	1,081	1,082	1,077	1,074	1,073	1,074	1,072	
Chichester	1,853	1,851	1,843	1,834	1,832	1,830	1,834	1,834	1,827	1,819	1,814	1,809	
Meriden	642	644	644	641	639	635	632	629	628	626	620	619	
Hollis	3,636	3,626	3,626	3,625	3,613	3,606	3,613	3,606	3,577	3,561	3,559	3,551	
Wilton	3,638	3,626	3,618	3,609	3,591	3,618	3,607	3,604	3,611	3,590	3,590	3,584	

**SUPPLEMENTAL RESPONSE STAFF 2-2  
MONTHLY TOTAL ACCESS LINE COUNT BY EXCHANGE**

2005		TOTAL ACCESS LINES											
EXCHANGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Antrim	2,370	2,373	2,371	2,380	2,361	2,351	2,351	2,338	2,349	2,339	2,341	2,342	
Bradford	1,928	1,926	1,923	1,923	1,920	1,928	1,920	1,914	1,904	1,892	1,882	1,872	
Contoocook	3,627	3,623	3,656	3,651	3,661	3,653	3,644	3,669	3,660	3,609	3,614	3,595	
Henniker	2,570	2,569	2,571	2,571	2,567	2,563	2,572	2,573	2,573	2,569	2,586	2,558	
Hillsborough	3,582	3,584	3,586	3,587	3,587	3,597	3,588	3,578	3,569	3,547	3,542	3,529	
Melvin Village	910	912	907	909	912	919	920	921	917	908	906	906	
Sutton	902	904	903	902	908	921	913	912	906	899	872	876	
Warner	1,687	1,669	1,669	1,670	1,671	1,669	1,661	1,665	1,668	1,666	1,680	1,677	
Andover	1,335	1,334	1,330	1,326	1,334	1,368	1,362	1,366	1,373	1,351	1,351	1,345	
Boscawen	1,095	1,091	1,092	1,093	1,086	1,101	1,096	1,099	1,075	1,080	1,049	1,038	
New London	4,197	4,185	4,184	4,162	4,139	4,125	4,074	4,068	4,063	4,070	4,060	4,051	
Salisbury	1,077	1,068	1,068	1,070	1,066	1,060	1,052	1,053	1,057	1,068	1,064	1,067	
Chichester	1,805	1,798	1,800	1,794	1,776	1,771	1,775	1,774	1,762	1,776	1,764	1,770	
Meriden	616	613	611	607	614	612	609	610	608	614	611	609	
Hollis	3,535	3,523	3,524	3,527	3,506	3,489	3,463	3,459	3,453	3,434	3,429	3,429	
Wilton	3,578	3,566	3,565	3,550	3,544	3,516	3,474	3,457	3,444	3,449	3,439	3,437	

**SUPPLEMENTAL RESPONSE STAFF 2-2  
MONTHLY TOTAL ACCESS LINE COUNT BY EXCHANGE**

2006		TOTAL ACCESS LINES											
EXCHANGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Antrim	2,334	2,328	2,325	2,323	2,336	2,333	2,333	2,313	2,317	2,303	2,292	2,282	
Bradford	1,867	1,872	1,866	1,856	1,855	1,862	1,853	1,852	1,846	1,829	1,835	1,833	
Contoocook	3,586	3,578	3,562	3,571	3,565	3,555	3,548	3,521	3,528	3,498	3,474	3,473	
Henniker	2,553	2,550	2,544	2,536	2,532	2,520	2,510	2,501	2,494	2,487	2,482	2,436	
Hillsborough	3,507	3,489	3,470	3,465	3,449	3,462	3,427	3,434	3,423	3,415	3,408	3,398	
Melvin Village	905	898	895	892	892	894	895	901	895	890	881	881	
Sutton	880	873	873	872	873	869	866	864	853	853	860	854	
Warner	1,678	1,672	1,661	1,654	1,660	1,656	1,652	1,642	1,640	1,625	1,636	1,632	
Andover	1,339	1,340	1,327	1,318	1,315	1,327	1,325	1,319	1,294	1,296	1,291	1,284	
Boscawen	1,035	1,042	1,041	1,039	1,041	1,043	1,036	1,035	1,026	1,025	1,034	1,016	
New London	4,033	4,024	4,007	4,012	3,995	3,995	4,007	3,995	3,972	3,952	3,932	3,925	
Salisbury	1,065	1,066	1,060	1,055	1,060	1,058	1,052	1,051	1,047	1,048	1,047	1,046	
Chichester	1,773	1,764	1,751	1,745	1,745	1,749	1,755	1,734	1,724	1,722	1,710	1,709	
Meriden	611	608	608	603	601	598	595	597	604	603	602	599	
Hollis	3,415	3,399	3,400	3,397	3,396	3,392	3,373	3,367	3,350	3,333	3,312	3,308	
Wilton	3,424	3,413	3,402	3,402	3,390	3,372	3,367	3,356	3,341	3,337	3,341	3,334	

**SUPPLEMENTAL RESPONSE STAFF 2-2  
MONTHLY TOTAL ACCESS LINE COUNT BY EXCHANGE**

2007		TOTAL ACCESS LINES							
EXCHANGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	
Antrim	2,277	2,276	2,274	2,270	2,252	2,250	2,238	2,214	
Bradford	1,832	1,826	1,824	1,818	1,825	1,832	1,828	1,827	
Contoocook	3,457	3,458	3,451	3,433	3,428	3,420	3,417	3,412	
Henniker	2,422	2,414	2,412	2,409	2,397	2,360	2,349	2,346	
Hillsborough	3,372	3,366	3,355	3,345	3,151	3,117	3,094	3,078	
Melvin Village	878	874	869	865	873	847	839	836	
Sutton	854	848	847	844	844	847	844	838	
Warner	1,625	1,623	1,620	1,623	1,619	1,600	1,591	1,580	
Andover	1,281	1,275	1,274	1,272	1,270	1,274	1,285	1,276	
Boscawen	1,025	1,023	1,022	1,015	1,008	995	998	993	
New London	3,895	3,882	3,851	3,832	3,834	3,832	3,832	3,812	
Salisbury	1,045	1,039	1,041	1,036	1,027	1,021	1,021	1,022	
Chichester	1,694	1,689	1,689	1,684	1,677	1,667	1,670	1,653	
Meriden	598	598	596	593	595	590	580	573	
Hollis	3,295	3,286	3,274	3,260	3,254	3,251	3,238	3,233	
Wilton	3,312	3,304	3,288	3,292	3,291	3,263	3,243	3,235	

Kearsarge Telephone Company  
Wilton Telephone Company  
Hollis Telephone Company  
Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To STAFF Set 2 Data Requests  
September 26, 2007

STAFF 2-2: Reed Testimony: Please provide monthly data on the number of access lines with basic local service for the period Jan. 2004 to August 2007 for each TDS exchange (also provide an electronic copy of this data).

Response:

The Petitioners object to Staff Data Request 2-2 on the grounds that the data request is overbroad and unduly burdensome. The information requested is not maintained in the monthly format requested in the ordinary course of business and would need to be re-created manually at substantial time and expense. (Internal monthly access line information does not reconcile to annually reported information due to the inclusion of items such as official lines, test lines, ISDN circuits, etc. in the monthly figures.) Subject to and without waiving these objections, the Petitioners will provide information responsive to Staff Data Request 2-2.

Information has been compiled as of the end of each year and August 2007.

MCT Total Access Lines

Period	Total Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	17,792				
12/31/2005	17,458	( 334)	(334)	-1.88%	-1.88%
12/31/2006	16,891	( 567)	(901)	-3.25%	-5.06%
08/31/2007	16,314	( 577)	(1478)	-3.42%	-8.31%

Kearsarge Total Access Lines

Period	Total Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	10,429				
12/31/2005	10,223	( 206)	(206)	-1.98%	-1.98%
12/31/2006	9,966	( 257)	(463)	-2.51%	-4.44%
08/31/2007	9,387	( 579)	(1042)	-5.81%	-9.99%

STAFF 2-2 Response Continued, Page 2:

Wilton Total Access Lines

Period	Total Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	3,690				
12/31/2005	3,582	( 108)	(108)	-2.93%	-2.93%
12/31/2006	3,484	( 98)	(206)	-2.74%	-5.58%
08/31/2007	3,246	( 238)	(444)	-6.83%	-12.03%

Hollis Total Access Lines

Period	Total Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	3,552				
12/31/2005	3,431	( 121)	(121)	-3.41%	-3.41%
12/31/2006	3,318	( 113)	(234)	-3.29%	-6.59%
08/31/2007	3,206	( 112)	(346)	-3.38%	-9.74%

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
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Merrimack County Telephone Company  
Docket No. DT 07-027  
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To STAFF Set 2 Data Requests  
September 26, 2007  
Supplemental Response Dated October 5, 2007

STAFF 2-3: Reed Testimony: Please provide monthly data on the number of residential access lines with basic local service for the period Jan. 2004 to August 2007 for each TDS exchange (also provide an electronic copy of this data).

Response:

The Petitioners object to Staff Data Request 2-3 on the grounds that the data request is overbroad and unduly burdensome. The information requested is not maintained in the monthly format requested in the ordinary course of business and would need to be re-created manually at substantial time and expense. (Internal monthly access line information does not reconcile to annually reported information due to the inclusion of items such as official lines, test lines, ISDN circuits, etc. in the monthly figures.) Subject to and without waiving these objections, the Petitioners will provide information responsive to Staff Data Request 2-3.

Information has been compiled as of the end of each year and August 2007.

MCT Residential Access Lines

Period	Residential Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	13,348				
12/31/2005	13,032	( 316)	(316)	-2.37%	-2.37%
12/31/2006	12,585	( 447)	(763)	-3.43%	-5.72%
08/31/2007	12,238	( 347)	(1110)	-2.76%	-8.32%

Kearsarge Residential Access Lines

Period	Residential Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	7,413				
12/31/2005	7,239	( 174)	(174)	-2.35%	-2.35%
12/31/2006	6,995	( 244)	(418)	-3.37%	-5.64%
08/31/2007	6,818	( 177)	(595)	-2.53%	-8.03%

STAFF 2-3 Response Continued, Page 2:

Wilton Residential Access Lines

Period	Residential Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	2,701				
12/31/2005	2,589	( 112)	(112)	-4.15%	-4.15%
12/31/2006	2,489	( 100)	(212)	-3.86%	-7.85%
08/31/2007	2,420	( 69)	(281)	-2.77%	-10.40%

Hollis Residential Access Lines

Period	Residential Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	2,869				
12/31/2005	2,756	( 113)	(113)	-3.94%	-3.94%
12/31/2006	2,645	( 111)	(224)	-4.03%	-7.81%
08/31/2007	2,599	( 46)	(270)	-1.74%	-9.41%

Supplemental Response:

Please see supplemental response to Staff 2-2.

Michael C. Reed is responsible for this response.

Kearsarge Telephone Company  
Wilton Telephone Company  
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Merrimack County Telephone Company  
Docket No. DT 07-027  
Company Responses  
To STAFF Set 2 Data Requests  
September 26, 2007

STAFF 2-3: Reed Testimony: Please provide monthly data on the number of residential access lines with basic local service for the period Jan. 2004 to August 2007 for each TDS exchange (also provide an electronic copy of this data).

Response:

The Petitioners object to Staff Data Request 2-3 on the grounds that the data request is overbroad and unduly burdensome. The information requested is not maintained in the monthly format requested in the ordinary course of business and would need to be re-created manually at substantial time and expense. (Internal monthly access line information does not reconcile to annually reported information due to the inclusion of items such as official lines, test lines, ISDN circuits, etc. in the monthly figures.) Subject to and without waiving these objections, the Petitioners will provide information responsive to Staff Data Request 2-3.

Information has been compiled as of the end of each year and August 2007.

MCT Residential Access Lines

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12/31/2004	13,348				
12/31/2005	13,032	( 316)	(316)	-2.37%	-2.37%
12/31/2006	12,585	( 447)	(763)	-3.43%	-5.72%
08/31/2007	12,238	( 347)	(1110)	-2.76%	-8.32%

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STAFF 2-3 Response Continued, Page 2:

Wilton Residential Access Lines

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12/31/2005	2,756	( 113)	(113)	-3.94%	-3.94%
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Docket No. DT 07-027  
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To STAFF Set 2 Data Requests  
September 26, 2007  
Supplemental Response Dated October 5, 2007

STAFF 2-4: Reed Testimony: Please provide monthly data on the number of business access lines with basic local service for the period Jan. 2004 to August 2007 for each TDS exchange (also provide an electronic copy of this data).

Response:

The Petitioners object to Staff Data Request 2-4 on the grounds that the data request is overbroad and unduly burdensome. The information requested is not maintained in the monthly format requested in the ordinary course of business and would need to be re-created manually at substantial time and expense. (Internal monthly access line information does not reconcile to annually reported information due to the inclusion of items such as official lines, test lines, ISDN circuits, etc. in the monthly figures.) Subject to and without waiving these objections, the Petitioners will provide information responsive to Staff Data Request 2-4.

Information has been compiled as of the end of each year and August 2007.

**MCT Business Access Lines**

Period	Business Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	4,444				
12/31/2005	4,426	( 18)	(18)	-0.41%	-0.41%
12/31/2006	4,306	( 120)	(138)	-2.71%	-3.11%
08/31/2007	4,076	( 230)	(368)	-5.34%	-8.28%

**Kearsarge Business Access Lines**

Period	Business Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	3,016				
12/31/2005	2,984	( 32)	(32)	-1.06%	-1.06%
12/31/2006	2,971	( 13)	(45)	-0.44%	-1.49%
08/31/2007	2,569	( 402)	(447)	-13.53%	-14.82%

STAFF 2-4 Response Continued, Page 2:

Wilton Business Access Lines

Period	Business Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	989				
12/31/2005	993	4	4	0.40%	0.40%
12/31/2006	995	2	6	0.20%	0.61%
08/31/2007	826	( 169)	(163)	-16.98%	-16.48%

Hollis Business Access Lines

Period	Business Access Lines	Period Change	Cumulative Change	Period % Change	Cumulative % Change
12/31/2004	683				
12/31/2005	675	( 8)	(8)	-1.17%	-1.17%
12/31/2006	673	( 2)	(10)	-0.30%	-1.46%
08/31/2007	607	( 66)	(76)	-9.81%	-11.13%

Supplemental Response:

Please see supplemental response to Staff 2-3.

Michael C. Reed is responsible for this response.

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Merrimack County Telephone Company  
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STAFF 2-4: Reed Testimony: Please provide monthly data on the number of business access lines with basic local service for the period Jan. 2004 to August 2007 for each TDS exchange (also provide an electronic copy of this data).

Response:

The Petitioners object to Staff Data Request 2-4 on the grounds that the data request is overbroad and unduly burdensome. The information requested is not maintained in the monthly format requested in the ordinary course of business and would need to be re-created manually at substantial time and expense. (Internal monthly access line information does not reconcile to annually reported information due to the inclusion of items such as official lines, test lines, ISDN circuits, etc. in the monthly figures.) Subject to and without waiving these objections, the Petitioners will provide information responsive to Staff Data Request 2-4.

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STAFF 2-4 Response Continued, Page 2:

Wilton Business Access Lines

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Michael C. Reed is responsible for this response.