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October 30, 2003

## HAND DELIVERED

Jean Jewell  
Idaho Public Utilities Commission  
472 W. Washington Street  
P.O. Box 83720  
Boise, ID 83720-0074

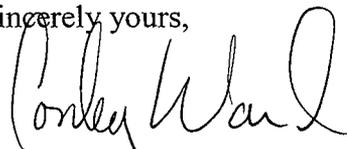
Re: IPUC Case Nos. GNR-T-03-08 and GNR-T-03-16  
GP File No. 1233-170

Dear Jean:

In Daniel Trampush's testimony in the above-entitled case, what should have been footnote 10 was mistakenly omitted. Line 2 on page 19 should close with a parenthesis mark followed by the indicator for footnote 10.

I am enclosing an original and nine copies of Mr. Trampush's corrected testimony, and serving copies of the same on the parties to this case. I apologize for any inconvenience.

Sincerely yours,



Conley E. Ward

CEW/hcm  
Enclosures

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RECEIVED  
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2003 OCT 30 PM 5:11  
IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF  
IAT COMMUNICATIONS, INC., d/b/a  
NTCHIDAHO, INC. OR CLEAR TALK,  
FOR DESIGNATION AS AN ELIGIBLE  
TELECOMMUNICATIONS CARRIER.

Case Nos. GNR-T-03-08  
GNR-T-03-16

IN THE MATTER OF THE  
APPLICATION OF NPCR, INC., d/b/a  
NEXTEL PARTNERS, SEEKING  
DESIGNATION AS AN ELIGIBLE  
TELECOMMUNICATIONS CARRIER.

RECEIVED  
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2003 OCT 30 PM 5:10  
IDAHO PUBLIC  
UTILITIES COMMISSION

**DIRECT TESTIMONY**  
**OF**  
**DANIEL L. TRAMPUSH**  
**ON BEHALF OF**  
**THE IDAHO TELEPHONE ASSOCIATION**  
**AND**  
**CITIZENS TELECOMMUNICATIONS COMPANY OF IDAHO**

ORIGINAL

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Daniel L. Trampush and my business address is 900 Washington  
3 Street, Suite 700, Vancouver, Washington, 98660.

4 **Q. PLEASE SUMMARIZE YOUR CURRENT EMPLOYMENT AND**  
5 **EDUCATIONAL BACKGROUND.**

6 A. My current position is Director – Telecommunications Consulting for the firm of  
7 Moss Adams LLP. Moss Adams is an accounting and business advisory firm that  
8 has been in business for 90 years. The firm has 20 practice offices throughout the  
9 west coast and is the tenth largest public accounting firm in the United States.

10 I graduated from Central Washington University in 1970 with a Bachelor  
11 of Arts degree in Business Administration.

12 **Q. PLEASE DESCRIBE YOUR PRIOR BUSINESS EXPERIENCE.**

13 A. I have been actively involved in the telecommunications industry for the vast  
14 majority of my thirty-three year professional career. Upon graduating from  
15 college in 1970, I joined the firm of Ernst & Ernst (now Ernst & Young). I was  
16 employed by the firm for twenty-seven years, the last seventeen of which I was a  
17 partner. During my time at Ernst & Young, I worked on a variety of  
18 telecommunications accounting and regulatory issues, some of which were  
19 national in scope. I left the firm in 1997 and became Senior Vice President and  
20 Chief Financial Officer of GST Telecommunications, Inc, a publicly traded  
21 Competitive Local Exchange Carrier. My responsibilities at GST included  
22 finance, accounting, and investor relations. My focus at Moss Adams is similar to  
23 that at Ernst & Young. That is, I work in the firm's Telecom Niche practice

1 providing consulting services to rural telecommunications carriers. I am also  
2 active in the Organization for the Protection and Advancement of Small  
3 Telephone Companies (“OPASTCO”) subcommittees on Universal Service and  
4 access charges. Additionally, we are engaged to work in conjunction with  
5 counsel for the Idaho Telephone Association on federal and state regulatory  
6 proceedings. A copy of my biography is attached as Exhibit 301.

7 **Q. WHO ARE YOU TESTIFYING FOR IN THIS PROCEEDING?**

8 A. I am appearing on behalf of the Idaho Telephone Association (“ITA”) and  
9 Citizens Telecommunications Company of Idaho (“Citizens”). The ITA is an  
10 industry organization comprised of telecommunications carriers that serve  
11 approximately 40,000 access lines in the rural areas of Idaho.<sup>1</sup> All of the ITA’s  
12 members are “rural telephone companies” as defined in 47 U.S.C. § 153(37).  
13 Citizens is also a rural telephone company that provides telecommunications  
14 service to approximately 21,000 access lines in 18 southern Idaho exchanges.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 A. The purpose of my testimony is to analyze the Applications by NPCR, Inc  
17 (“Nextel”) and IAT Communications (“Clear Talk”) for Eligible  
18 Telecommunications Carrier (“ETC”) designations in a number of rural telephone  
19 companies’ service territories. In doing so, I will comment on both the  
20 Applications and the direct testimony submitted by the Applicants’ witnesses.

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<sup>1</sup> ITA member companies include: Albion Telephone Company, Cambridge Telephone Company, Custer Telephone Cooperative, Inc., Farmers Mutual Telephone Company, Filer Mutual Telephone Company, Inland Telephone Company, Midvale Telephone Company, Mud Lake Telephone Cooperative Association, Project Mutual Telephone Cooperative Association, Direct Communications – Rockland, Rural Telephone Company, Silver Star Telephone Company, Oregon-Idaho Utilities, and Fremont Telecom.

1 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

2 A. My ultimate conclusion is that the Applicants have not made even a passable  
3 attempt to meet their statutorily required burden of proof for ETC designations in  
4 the rural telephone companies' service territories. In explaining this conclusion, I  
5 will show that:

- 6       ▪ The Applicants repeatedly mischaracterize the plain meaning of the  
7       Telecommunications Act of 1996 and the ultimate issues in this  
8       proceeding.
- 9       ▪ The Applicants' own pleadings and testimony prove that for the  
10      foreseeable future, they will not meet the minimum threshold requirement  
11      for ETC designations in the affected incumbent local exchange carrier  
12      ("ILEC") service territories.
- 13      ▪ Even if the Applicants could meet the threshold requirements for ETC  
14      designations, their applications are not "in the public interest" and should  
15      be denied.

16 **Q. PLEASE EXPLAIN HOW THE APPLICANTS MISCHARACTERIZE**  
17 **THE 1996 ACT AND THE ISSUES IN THIS PROCEEDING?**

18 A. The Applicants' entire case is essentially built on the proposition that competition  
19 is the "be all and end all" of the Act. According to the Applicants, the goal of  
20 promoting competition trumps all other public interest policies embodied in the  
21 Act. While I am not an attorney, I have spent the better part of my working life  
22 dealing with telecommunications issues, including the 1996 Act, and I think I am

1 competent to understand plain English. In my opinion the Applicants are grossly  
2 mischaracterizing a complicated law that serves a number of purposes.

3 The Applicants mischaracterize the issues in this proceeding by insisting  
4 that the ultimate issue in this case is whether there should be wireless competition  
5 in the rural telephone companies' exchanges. This is not the issue at all. As I will  
6 explain in detail later in my testimony, there is no shortage of wireless  
7 competitors already operating in Idaho's rural telephone company service areas.

8 The real question in this case is whether the Applicants' competitive efforts in  
9 these areas should be subsidized by payments from the federal Universal Service  
10 Fund ("USF").

11 **Q. LET'S RETURN TO THE 1996 ACT. ARE YOU SUGGESTING THAT**  
12 **THE ACT IS NOT PROCOMPETITION?**

13 A. Not at all. The 1996 Act was obviously designed in part to promote, as the title of  
14 Part II states, the "development of competitive markets" in the majority of the  
15 nation's telecommunications markets. But the Act has a number of other equally  
16 important purposes as well, not the least of which are the preservation and  
17 enhancement of universal service and the protection of incumbent rural telephone  
18 companies from unfair competition.

19 **Q. HOW DOES THE 1996 ACT DEFINE UNIVERSAL SERVICE?**

20 A. Section 254(b) of the Act contains six major universal service principles:  
21 1. Quality services should be available at just, reasonable, and affordable rates.  
22 2. Access to advanced services should be provided in all regions of the nation.

- 1           3.    Consumers in all regions of the nation should have access to services  
2                   (including advanced services) and rates that are reasonably comparable to  
3                   those in urban areas.
- 4           4.    All telecommunications providers should make an equitable and  
5                   nondiscriminatory contribution to the preservation and advancement of  
6                   universal service.
- 7           5.    There should be specific, predictable and sufficient Federal and State  
8                   mechanisms to preserve and advance universal service.
- 9           6.    Schools and libraries should have access to advanced services.

10                   In addition to the principles listed above, the FCC approved, based on a  
11                   Joint Board recommendation, an additional principle of “competitive neutrality”.  
12                   This principle requires that “universal service support mechanisms and rules  
13                   neither unfairly favor nor disfavor one technology over another.”<sup>2</sup>

14                   It is worth noting that none of these universal service principles refer to  
15                   the promotion of competition, nor do they guarantee customers a right to multiple,  
16                   competing universal service providers.

17   **Q.    WHAT DO YOU MEAN BY “UNFAIR” COMPETITION?**

18   A.    The 1996 Act was a comprehensive reworking of the Communications Act of  
19           1934. As such, it generated huge interest and massive lobbying efforts by  
20           virtually every segment of the telecommunications industry, in addition to  
21           consumer groups and other interested parties. After a long deliberative process,  
22           Congress ultimately reached the compromise embodied in the Act, in which most  
23           of the industry groups got some of what they wanted, but not all.

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<sup>2</sup> *Report and Order* in CC Docket No. 96-45, issued May 8, 1997 at ¶47.

1           The rural incumbent local exchange carriers (“ILECs”) also participated in  
2 this legislative process, primarily through trade groups such as OPASTCO. Many  
3 of these companies, including many of those I am representing today, were then  
4 (and remain now) subject to the traditional state public utility regulation process  
5 that carries with it an obligation to serve as a carrier of last resort (“COLR”)  
6 within their service territories. This COLR obligation means that incumbent rural  
7 telephone companies are not free to differentiate between profitable and  
8 unprofitable customers. They are compelled to serve one and all at regulated rates  
9 based on average costs.

10           Furthermore, because of their low population density service territories,  
11 the rural ILECs generally have high average service costs and often require  
12 support from federal and state universal service funds (“USF”) to keep rates  
13 affordable and meet the universal service goals embodied in the federal Act and  
14 state legislation. But within their generally high cost service areas, most rural  
15 ILECs have some pockets of customers (primarily small towns, individual  
16 businesses, and government offices) that comprise their lowest cost and most  
17 profitable customers.

18           Thus, the rural ILECs argued that it would be unfair to allow unregulated  
19 competitors to target only their most profitable customers, while leaving the  
20 incumbents with the COLR obligation for the very highest cost customers. The  
21 rural ILECs pointed out that allowing this type of “cherry picking” or “cream  
22 skimming” competition would not only jeopardize the incumbents’ financial  
23 viability, but would also provide an undeserved windfall to competitive ETCs and

1 prove detrimental to universal service goals by causing increased rates for their  
2 remaining high cost customers and increased demands on federal and state USFs.

3 **Q. DO THESE SAME CONSIDERATIONS APPLY TO RURAL**  
4 **TELEPHONE COMPANIES IN IDAHO?**

5 A. Yes, in spades. In preparation for an earlier proceeding, the ITA surveyed its  
6 members to compile basic information about the members' service densities and  
7 costs. Of the 15 study areas represented by ITA's 14 member companies, the ITA  
8 collected information on 12 study areas. This response accounts for  
9 approximately 98 percent of the ITA membership's total access lines.<sup>3</sup> The ITA  
10 data presented in these comments is based on this survey.

11 We found that, on average, the ITA companies have only 2 access lines  
12 per square mile of service territory. This contrasts with the findings of the Rural  
13 Task Force, which determined that, on average, rural carriers serve 19 lines per  
14 square mile.<sup>4</sup> Four of the ITA study areas have a line density per square mile of  
15 less than 1 and three study areas have a density of between 1 and 2 lines per  
16 square mile. On the other end of the spectrum, one member with a comparatively  
17 small service territory has more than 100 access lines per square mile.

18 The lack of access line density and the necessity of providing ubiquitous  
19 coverage in these rural areas translates into high costs. At the end of 2002, the  
20 gross investment in telephone plant in service per access line for the ITA  
21 members was approximately \$5,400. Plant specific operating expenses were \$445  
22 per line for this same period, or \$37 per line per month.

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<sup>3</sup> Three member companies with combined access lines of approximately 1,000 were unable to respond to the data request in the time allowed.

<sup>4</sup> Rural Task Force, White Paper 2, *The Rural Difference*, January 2000, P. 33.

1 **Q. CAN YOU PROVIDE SIMILAR NUMBERS FOR CITIZENS' SERVICE**  
2 **AREA?**

3 **A.** Yes. The density of Citizens Idaho service area is also far below the national  
4 average for rural telephone companies. Citizens averages 3.96 customers per  
5 square mile. If we blend the Citizens data with the ITA's, average density would  
6 equal 2.4 access lines per square mile.

7 Citizens also exhibits relatively high plant costs, with gross plant in  
8 service per access line of \$4,213, with plant specific operating expenses of \$144  
9 per year.

10 **Q. WHAT DO THESE DENSITY AND COST FIGURES TELL US ABOUT**  
11 **COMPETITION IN RURAL TELEPHONE COMPANY SERVICE**  
12 **AREAS?**

13 **A.** With these types of average densities and costs, it is readily apparent that wireless  
14 competitors who concentrate primarily on towns or businesses, without serving  
15 the surrounding sparsely populated areas, have a potentially enormous  
16 competitive advantage *vis a vis* the incumbent who must serve the entirety of its  
17 study area.

18 **Q. DOES THIS POTENTIAL ADVANTAGE MEAN THAT WIRELESS**  
19 **COMPETITION SHOULD BE PROHIBITED IN RURAL TELEPHONE**  
20 **COMPANY SERVICE AREAS?**

21 **A.** No. In the end, the rural telephone companies did not get the full measure of  
22 protection they requested when the Act was passed. Congress expressly  
23 authorized wireless competition in rural telephone company service areas, and it

1 refused to prohibit wireless carriers from “cherry picking” the most attractive  
2 customers or geographic portion of the incumbent rural telephone company’s  
3 service area. But Congress did establish some important constraints on subsidized  
4 competition by wireless carriers.

5 **Q. WHAT ARE THOSE CONSTRAINTS?**

6 A. The first is that a rural telephone company competitor that seeks USF subsidies  
7 must in fact provide ubiquitous service throughout the entirety of the incumbent’s  
8 service area. The second is that the state commission must explicitly find that a  
9 competitor’s eligible telecommunications carrier (“ETC”) status, and entitlement  
10 to USF support, is in the “public interest.”

11 **Q. WHAT IS THE STATUTORY SOURCE OF THE FIRST CONSTRAINT**  
12 **YOU HAVE JUST DESCRIBED?**

13 A. The relevant provision of the Act is Section 214(e)(1), which provides that an  
14 applicant for ETC status,

15 shall, throughout the service area for which such designation is  
16 received—

- 17 (A) offer the services that are supported by Federal  
18 universal support mechanisms under section 254 . . . ; and  
19 (B) advertise the availability of such services and the  
20 charges therefore using media of general distribution.  
21

22 47 U.S.C. § 214(e)(1). Section 214(e)(5) further provides:

23 In the case of an area served by a rural telephone company “service  
24 area” means such company’s “study area” unless and until the  
25 Commission and the States after taking into account  
26 recommendations of a Federal-State Joint Board instituted under  
27 section 410(c), establish a different definition of service area for  
28 such company.  
29

30 **Q. WHAT IS THE SIGNIFICANCE OF THESE PROVISIONS?**

1 A. Congress essentially offered wireless carriers a choice when they enter a  
2 rural telephone company's service area. They are free to skim the cream of the  
3 incumbent's customers, but if they do so they must forgo USF support.  
4 Alternatively, the competitor can attempt to qualify for USF subsidies equivalent  
5 to the incumbent's. If the competitor chooses the latter alternative it must, as a  
6 minimum threshold requirement, match the incumbent's obligation to serve and  
7 actively solicit customers throughout the entirety of a rural ILEC's territory. This  
8 requirement is mandatory and non-discretionary, unless the Joint Board  
9 recommends, and the FCC and states adopt, some lesser requirement.

10 **Q. HAS THE JOINT BOARD IN FACT RECOMMENDED A LESSER**  
11 **STANDARD THAN THE UBIQUITOUS SERVICE REQUIREMENT?**

12 A. No. In its Recommended Decision regarding the implementation of the universal  
13 service principles of the 1996 Act, the Joint Board stated that:

14 We find no persuasive rationale in the record for adopting, at this  
15 time, a service area that differs from a rural telephone company's  
16 present study area. We note that some commenters argue that  
17 Congress presumptively retained study areas as the service area for  
18 rural telephone companies in order to minimize "cream skimming"  
19 by potential competitors. Potential "cream skimming" is  
20 minimized because competitors, as a condition of eligibility, must  
21 provide services throughout the rural telephone company's study  
22 area. Competitors would thus not be eligible for universal service  
23 support if they sought to serve only the lowest cost portions of a  
24 rural telephone company's study area.<sup>5</sup>  
25

26 **Q. DOES A COMPETITIVE ETC HAVE TO OFFER SERVICE TO ALL**  
27 **CUSTOMERS THROUGHOUT THE INCUMBENT RTC'S TERRITORY**  
28 **BEFORE IT IS GRANTED ETC STATUS?**

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<sup>5</sup> *Joint Board Recommended Decision*, (November 8, 1996), FCC 96J-3 at ¶172.

1 A. No. Clear Talk’s witness, Mr. Ishihara correctly points out that the FCC has held  
2 that a competitive ETC must be granted the same opportunity to build out its  
3 facilities that the incumbent LEC received when it was first certificated to provide  
4 service. But this is only half the story, and Mr. Ishihara conveniently omits the  
5 conditions the FCC attached to this ruling. Following the passage cited by Mr.  
6 Ishihara, the FCC went on to hold that a competitive ETC applicant must make a  
7 reasonable demonstration to the state Commission of its “capability and  
8 commitment” to provide service throughout the proposed ETC serving area. The  
9 FCC stressed that this must be a meaningful demonstration:

10 We caution that a demonstration of the capability and commitment  
11 to provide service must encompass something more than a vague  
12 assertion of intent on the part of a carrier to provide service. The  
13 carrier must reasonably demonstrate to the state Commission its  
14 ability and willingness to provide service upon designation.<sup>6</sup>  
15

16 I assume the FCC’s words were not chosen haphazardly. The FCC’s analogy to  
17 the showing required of the incumbent when it was originally certificated, and its  
18 insistence that the applicant has the burden of proving “its ability and willingness”  
19 are significant. I interpret the FCC’s ruling as requiring a showing by a  
20 competitive ETC that it is “fit, willing, and able” to provide ubiquitous service on  
21 reasonable terms and within a reasonable time.

22 **Q. WHAT TYPE OF SHOWING SHOULD BE REQUIRED TO MEET THIS**  
23 **TEST?**

24 A. At a minimum, I believe the Commission should insist on convincing proof that  
25 the applicant has a clear business plan and timetable for the required build out, the  
26 financial capacity to carry out that plan, and (in the case of wireless carriers)

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<sup>6</sup> *Declaratory Ruling*, released August 10, 2000, FCC 00-248 at ¶24.

1 adequate spectrum to meet future customer growth requirements. Furthermore, in  
2 the case of companies that have an operating history in other jurisdictions, they  
3 should be required to show that they have followed through on their ETC  
4 commitments in those jurisdictions.

5 **Q CAN EITHER OF THE APPLICANTS MEET THIS THRESHOLD**  
6 **STATUTORY REQUIREMENT?**

7 A. No. But the reasons why differ between the two Applicants, so I will discuss each  
8 separately.

9 **Q. LET'S START WITH CLEAR TALK. WHY DOES IT FAIL TO**  
10 **QUALIFY FOR ETC STATUS UNDER THE UBIQUITOUS SERVICE**  
11 **REQUIREMENT?**

12 A. In his testimony on behalf of Clear Talk's Application in this case, Mr. Larry  
13 Curry describes the scope of Clear Talk's Application as follows:

14 At this time, Clear Talk seeks designation as an ETC in certain  
15 exchange areas and/or wire centers (as set forth in Exhibit A) that  
16 fall within the boundaries of Clear Talk's FCC licenses.  
17

18 Direct Testimony of Larry Curry, P. 12, L. 14-16.

19 I have reproduced Mr. Curry's Exhibit A<sup>7</sup> as my Exhibit No. 302. As the  
20 Exhibit shows, Clear Talk is requesting an ETC designation in the service areas of  
21 three rural telephone companies—Citizens, Fremont Telecom ("Fremont"), and  
22 Project Mutual Telephone Cooperative ("Project Mutual").<sup>8</sup> But Clear Talk's  
23 request is not coterminous with the rural telephone companies' study areas in any  
24 of these cases. In the case of Citizens, Clear Talk is requesting designation in

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<sup>7</sup> Mr. Curry's Exhibit A is actually labeled "Exhibit 1".

<sup>8</sup> Clear Talk has apparently abandoned its request in its Petition to include ATC and Fremont Telecom.

1           Aberdeen only. This is only one of Citizens' 18 exchanges in its study area. In  
2           Fremont's case, Clear Talk requests designation in Fremont's Ashton, St.  
3           Anthony, and Chester wire centers, thus omitting Fremont's Island Park  
4           exchange. Finally, with regard to Project Mutual, Clear Talk omits the Oakley  
5           exchange from its request.

6                     In short, Clear Talk is asking the Commission to do something that is  
7           absolutely prohibited by law by requesting an ETC designation for less than the  
8           entirety of the affected rural telephone company service areas. To make matters  
9           worse, Clear Talk acknowledges that it cannot even serve the entirety of all the  
10          exchanges listed in Exhibit A, and it is therefore requesting an ETC designation  
11          for "any partial wirecenters." Since these partial wirecenters are not identified,  
12          Clear Talk's Application is not only contrary to law, but it leaves the Commission  
13          in the extraordinary position of considering a request for an ETC designation  
14          whose geographic boundaries are unknown.

15   **Q.    CAN CLEAR TALK SOMEHOW CURE THIS PROBLEM BY LATER**  
16   **EXPANDING ITS OWN SERVICE AREA?**

17   A.    No. I read Mr. Clear Talk's testimony as saying that its requested ETC area is  
18          coterminous with its FCC license. If this is so, it presumably does not have either  
19          legal authority or spectrum capacity to expand beyond the requested geographic  
20          area.

21   **Q.    DO YOU HAVE ANY OTHER CONCERNS ABOUT CLEAR TALK'S**  
22   **ABILITY TO MEET ITS ETC OBLIGATIONS?**

1 A. Yes. As of the date this testimony is being prepared, Clear Talk still has not  
2 provided the ITA with the promised response to its request for basic financial  
3 information, including a balance sheet and income statement. This makes me  
4 very suspicious about its financial ability to perform even if it had the legal ability  
5 to do so. That suspicion is compounded by the knowledge that Leap Wireless,  
6 which owns 30% of Clear Talk is now in bankruptcy.<sup>9</sup>

7 **Q. PLEASE SUMMARIZE YOUR FINDINGS WITH REGARD TO CLEAR**  
8 **TALK'S ABILITY TO MEET WHAT YOU HAVE CHARACTERIZED AS**  
9 **THE THRESHOLD REQUIREMENT FOR ETC DESIGNATION?**

10 A. Clear Talk does not even make a defensible attempt to meet the threshold legal  
11 requirement. It simply ignores the requirement that it must serve the whole of the  
12 incumbent rural telephone companies' service areas, and instead requests that the  
13 Commission grant it ETC status for its own service territory. The Commission  
14 simply has no legal authority to grant this request.

15 **Q. LET'S TURN OUR ATTENTION TO NEXTEL. DOES NEXTEL MEET**  
16 **THE THRESHOLD REQUIREMENT FOR ETC STATUS?**

17 A. Nextel's case is both more complicated and more interesting than Clear Talk's,  
18 but in the end my conclusions are the same. Nextel is a large, profitable publicly  
19 traded company, and it therefore probably has the financial capability to provide  
20 ubiquitous service if it chooses to do so. The problem is with Nextel's  
21 "willingness" to meet its obligations under the Act. Ordinarily, proof about a  
22 party's intentions is difficult to establish. But in this case there is strong evidence

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<sup>9</sup> Clear Talk's financial information reached ITA's counsel late in the afternoon of October 14<sup>th</sup>, too late for analysis in ITA's testimony due the following day.

1 that, despite the thin promises to the contrary in its testimony, Nextel has no  
2 intention of providing ubiquitous universal service throughout the rural telephone  
3 company service areas for which its seeks an ETC designation.

4 **Q. BEFORE WE FOLLOW UP ON THE ALLEGATION CONTAINED IN**  
5 **THE LAST SENTENCE IN YOUR PREVIOUS ANSWER, WOULD YOU**  
6 **PLEASE EXPLAIN WHY THE NEXTEL CASE MORE COMPLICATED**  
7 **THAN CLEAR TALK'S?**

8 A. In the first place, Nextel has filed on more rural telephone company service areas.  
9 Like Clear Talk, it has filed on a portion of Citizens' service area and all of  
10 Project Mutual's service area. But in addition it has also filed on the service areas  
11 of Albion Telephone Company ("Albion"), Filer Mutual Telephone Cooperative  
12 ("Filer Mutual"), Farmers Mutual Telephone Cooperative ("Farmers Mutual"),  
13 and Mud Lake Telephone Cooperative ("Mud Lake"). Each of these filings  
14 presents slightly different circumstances.

15 **Q. PLEASE START BY DESCRIBING THE SITUATION WITH RESPECT**  
16 **TO THE APPLICATION CONCERNING CITIZENS' SERVICE AREA.**

17 A. Mr. Lance Tade will describe the filing in Citizens' service area in some detail,  
18 and I will not attempt to duplicate his description here. In brief, Nextel has filed  
19 on approximately two-thirds of Citizens' Idaho exchanges. Not surprisingly,  
20 these are generally Citizens' most heavily populated and lowest cost exchanges.

21 **Q. HOW DOES NEXTEL JUSTIFY THIS TARGETING?**

22 A. Nextel really offers no justification at all, other than the fact that this is the  
23 customer base it would like to serve, and the tired refrain that this will somehow

1 promote competition. Nextel is simply asking the Commission to disaggregate  
2 Citizens' service area so it can receive USF support but avoid serving territory it  
3 obviously views as unprofitable. This area it will happily leave to Citizens.

4 **Q. IS THIS REQUEST CONSISTENT WITH THE STATUTORY**  
5 **MANDATES YOU DESCRIBED ABOVE?**

6 A. No. In short, this is precisely the type of preferential targeting of a select portion  
7 of a rural telephone company's customers that the threshold requirement is  
8 designed to prevent. Allowing this sort of phony competition would be a breach  
9 of faith with the rural telephone companies who justifiably believed that  
10 subsidization of this type of cherry picking would never be allowed under the Act.

11 **Q. PLEASE DESCRIBE THE SITUATION REGARDING THE OTHER**  
12 **RTCS AFFECTED BY NEXTEL'S APPLICATION.**

13 A. The circumstances vary. In the case of Farmers Mutual and Project Mutual,  
14 Nextel arguably has the ability to provide service in all, or virtually all, of the  
15 incumbents' service area, if one accepts Nextel's propagation map at face value.  
16 The same cannot be said of the Albion, Filer and Mud Lake service territories. In  
17 those companies' areas, Nextel would have to build out to meet its ubiquitous  
18 service requirement.

19 **Q. HAS NEXTEL PROVIDED ANYTHING MORE THAN "A VAGUE**  
20 **ASSERTION OF INTENT" REGARDING THIS BUILD OUT**  
21 **REQUIREMENT?**

22 A. On the contrary, it has admitted it has no specific plans to do so. The ITA's  
23 Discovery Request No. 24 asked Nextel to, "Please provide details of Nextel's

1 specific plans to extend its network in each of the requested Designated Areas.”

2 To which Nextel replied, “Nextel Partners will meet its obligation as an ETC to

3 expand its network, over time, to meet reasonable requests for service. Nextel

4 offers no specific plans for consideration in this case.” (Emphasis added.)

5 Similarly, ITA Request No. 28 asked Nextel to, “Please describe the  
6 analysis that will be undertaken when a customer requests service in an area not  
7 currently served by Nextel, but within the requested Designated Area.” Nextel  
8 responded by stating that, “Nextel Partners cannot state at this time what that  
9 analysis would be.”

10 **Q. HOW DO YOU INTERPRET THESE RESPONSES?**

11 A. I am convinced Nextel is not serious about meeting its build out obligation.

12 **Q. IS THIS WHY YOU PREVIOUSLY EXPRESSED DOUBTS ABOUT**  
13 **NEXTEL’S WILLINGNESS TO PROVIDE UBIQUITOUS UNIVERSAL**  
14 **SERVICE THROUGHOUT THE INCUMBENT RTCS’ EXCHANGES?**

15 A. It is one reason, but not the major one. My primary reason for concluding that  
16 Nextel is not willing to provide ubiquitous service is that its own business  
17 objectives concede as much. Nextel’s business strategy is to target the very  
18 highest margin customers while largely ignoring the general populace of potential  
19 subscribers. This strategy is readily documented in the company’s public filings,  
20 and is well known to the investment community. As Value Line recently stated,  
21 “The Company is best known for serving businesses and government entities,

1 which account for over 70% of the subscriber base.” (A copy of the Value Line  
2 article is attached as Exhibit No. 303.)<sup>10</sup>

3 Morningstar, an equally well-respected independent stock research firm,  
4 summarized the company’s strategy in somewhat more colorful terms:

5 Unlike rivals obsessed with subscriber growth, Nextel doesn’t  
6 wave a cell phone at every Tom, Dick, and Harry. Instead, it  
7 skims the cream of the crop; lucrative business customers who tend  
8 to be heavy cell phone users and who are more concerned with  
9 quality and features than price.

10  
11 (Emphasis added.) The full text of the Morningstar article is attached as Exhibit  
12 No. 304.

13 **Q. DO YOU HAVE ANY EVIDENCE THAT NEXTEL IS IN FACT**  
14 **PURSUING THIS CREAM SKIMMING STRATEGY IN IDAHO?**

15 A. Yes. In the ITA survey of its member companies that I previously described in  
16 this testimony, we asked the companies to break their access lines down into four  
17 categories: residential, single line businesses, multi line businesses, and special  
18 access. In the course of preparing this testimony, I requested similar information  
19 from Citizens. The results appear in the following table:

<b>ITA</b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>% of Total</u></b>
Residential	30,582	30,472	30,373	76.9%
Business - Single-Line	4,715	5,040	4,537	11.5%
Business - Multi-Line	3,745	3,631	3,991	10.1%
Special Access	576	604	591	1.5%
Total Access Lines	39,618	39,747	39,492	100.0%

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<sup>10</sup> Although the Applicant in this case, Nextel Partners, is technically a separate legal entity from Nextel Communications, it is managed under a joint operating agreement with Nextel Communications, offers the same Nextel branded products and services as Nextel Communications (including Nextel Communications’ featured Nationwide Direct Connect service), and is effectively controlled by Nextel Communications, which owns 32% of Nextel Partners’ common stock.

<b>CTC-Idaho</b>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>% of Total</u>
Residential	16,845	16,908	16,752	79.1%
Business - Single-Line	3,557	3,280	3,341	15.8%
Business - Multi-Line	978	1,138	1,083	5.1%
Special Access	0	0	0	0.0%
Total Access Lines	21,380	21,326	21,176	100.0%

<b>ITA + CTC-Idaho</b>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>% of Total</u>
Residential	47,427	47,380	47,125	77.7%
Business - Single-Line	8,272	8,320	7,878	13.0%
Business - Multi-Line	4,723	4,769	5,074	8.4%
Special Access	576	604	591	1.0%
Total Access Lines	60,998	61,073	60,668	100.0%

1 As you can see, residential customers comprised approximately 79% of the rural  
2 telephone companies' access lines. Single line businesses and multi line  
3 businesses comprised 13% and 5%, respectively.

4 Comparing these figures with Nextel's line counts is very instructive. In  
5 its Discovery Request No. 1, the ITA asked Nextel for its line counts in each of  
6 affected incumbents' service territories. Two of the service areas had so few  
7 customers that the results are perhaps not statistically significant. In the  
8 remaining service areas, Nextel broke out its line counts as follows:

	Multi-line Business	Single-line Business & Residential
Citizens	390	239
Project Mutual	105	92
Filer Mutual	31	39
Mud Lake	65	111

9 **Q. WHAT CONCLUSIONS DO YOU DRAW FROM THIS INFORMATION?**

10 A. My first conclusion is that Nextel is following, and presumably will continue to  
11 follow, its cream skimming strategy in Idaho. In the two areas where it has the  
12 highest penetration levels, multi-line business customers account for more than  
13 half of its total access lines, and in all the rural telephone companies' territories

1 Nextel's percentage of business lines is several times the rural incumbent  
2 averages. In fact, Nextel doesn't even have a separate category for residential  
3 customers. They are lumped in with single-line businesses, presumably because  
4 the number of residential customers is not large enough (or of sufficient interest to  
5 the company) to justify tracking them separately.

6 My further conclusion is that the service Nextel offers has nothing  
7 whatsoever to do with universal service as that term is commonly understood. In  
8 fact, it is its antithesis. Nextel is engaged in exactly the type of cream skimming  
9 that threatens universal service, rather than strengthening it. There is no earthly  
10 reason to subsidize this service with universal service funds.

11 **Q. PLEASE SUMMARIZE THIS PORTION OF YOUR TESTIMONY.**

12 A. Neither Clear Talk nor Nextel meet the fundamental threshold test for ETC  
13 eligibility. Clear Talk can't serve the entirety of the rural telephone companies'  
14 service areas, and Nextel won't. In fact, both simply ignore the statutory  
15 requirement to do so, and in effect ask the Commission to redefine their ETC  
16 service areas as the areas they have chosen to serve, without reference to the  
17 incumbents' service areas. This is contrary to both the spirit and the letter of the  
18 law, and their applications must therefore be rejected.

19 **Q. ASSUME FOR THE SAKE OF ARGUMENT THAT THE COMMISSION**  
20 **SOMEHOW FINDS THAT THE THRESHOLD REQUIREMENT HAS**  
21 **BEEN MET. SHOULD THE APPLICATIONS THEN BE GRANTED?**

1 A. No. The ubiquitous service requirement is only the first of two tests that must be  
2 satisfied before a competitor can be granted ETC status in a rural telephone  
3 company's service area.

4 **Q. WHAT IS THE SECOND TEST?**

5 A. Section 214(e)(2) states:

6 [T]he State commission may, in the case of an area served by a  
7 rural telephone company, and shall, in the case of all other areas,  
8 designate more than one common carrier as an eligible  
9 telecommunications carrier. . . Before designating an additional  
10 eligible telecommunications carrier for an area served by a rural  
11 telephone company, the State commission shall find that the  
12 designation is in the public interest.  
13

14 (Emphasis added). Again, this statutory requirement is clearly mandatory and  
15 non-discretionary.

16 **Q. HOW DO THE APPLICANTS PROPOSE TO MEET THIS PUBLIC  
17 INTEREST TEST?**

18 A. The Applicants' witnesses uniformly argue that the theoretical or presumed  
19 benefits of their competition with the incumbent wireline carriers is sufficient to  
20 satisfy the public interest test. Representative samples of this line of argument  
21 include the following:

22 Designating Clear Talk as an ETC in Idaho will bring competition  
23 to rural, high cost areas, and competition is in the public interest . .  
24 . The failure to designate Clear Talk as an ETC would deprive  
25 consumers of the benefits of competition, including increased  
26 choices, higher quality service, and lower rates. Glenn Ishihara, P.  
27 23, L-6-7 17-19.  
28

29 Consistent with the Act, the "public interest" is served where  
30 designating a competitive ETC will benefit consumers in rural  
31 areas of the state. The Commission should make this  
32 determination from the presumption that competition benefits  
33 consumers, and that citizens throughout the state are entitled to the

1 benefits of competitive universal service. Scott Peabody, P. 23, L.  
2 12-17.

3  
4 Put directly, the purpose of this proceeding is *not*, as many rural  
5 LECs argue, to answer the question “Is the introduction of  
6 competition for basic telecommunications services in rural areas in  
7 the public interest?” That question has been answered and the  
8 policy direction has been set on a federal level by both Congress  
9 and the FCC. Don Wood, P. 4, L. 11-15.

10  
11 **Q. DO YOU AGREE WITH THESE ARGUMENTS?**

12 A. No. They would be correct if were considering a non-rural ILEC’s service area.  
13 But they are manifestly wrong as a statement of law and Congressional intent  
14 when applied to a rural telephone company’s territory. If the presumptive  
15 benefits of competition were sufficient to satisfy the public interest test, the public  
16 interest test would be a *non sequiter* because Congress would have had no reason  
17 to include it in the law. It would have made multiple ETC designations  
18 mandatory, as it did in RBOC service areas, on the grounds that competition is  
19 always in the public interest.<sup>11</sup>

20 But that is not what Congress did. Instead it made multiple ETC  
21 designations permissive in rural telephone company service areas and further  
22 provided that these designations must first be determined to be “in the public  
23 interest.” Thus, the only logical reading of the statute is that a company seeking  
24 ETC status in a rural telephone company service area must show some public  
25 interest benefit beyond the presumptive benefits of competition.

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<sup>11</sup> “It appears that, in finding that CETCs should be designated in rural ILECs’ territories, the Commission and some states have found the mere encouragement of competition sufficient under the law to meet the public interest test. If that were sufficient, Congress would not have needed to establish the public interest test; the Commission and the states would simply have been directed to authorize multiple ETCs in all ILECs’ territories, rural or not.” NASUCA Comments, P. 9, CC Docket No. 96-45.

1 **Q. HAVE THE APPLICANTS IN FACT INTRODUCED EVIDENCE OF**  
2 **ANYTHING OTHER THAN THE PRESUMED BENEFITS OF**  
3 **COMPETITION.**

4 A. No, and they effectively admit as much in their testimony and discovery  
5 responses.

6 **Q. BUT HAVEN'T SOME STATES ACCEPTED THE ARGUMENT THE**  
7 **APPLICANTS ARE ADVANCING IN THIS CASE?**

8 A. Many industry observers, consumer advocates and even FCC Commissioners  
9 apparently believe that to be the case. The National Association of State Utility  
10 Consumer Advocates ("NASUCA") speculates that this is occurring because:

11 Under current rules, states have something of a conflict of interest.  
12 That is, there may be a bias toward granting of ETC status because,  
13 when new ETCs are created, more federal dollars flow into the  
14 state. Conversely, there is a disincentive for states to ensure that  
15 the public interest is fulfilled on a national basis because the  
16 benefit of additional federal funds may outweigh a state regulators'  
17 (sic) concerns about the sustainability of the federal program.<sup>12</sup>  
18

19 **Q. DO YOU AGREE WITH THE NASUCA'S SUGGESTION?**

20 A. Without reviewing the records in other states, I cannot say. But if this in fact is  
21 occurring, I would observe that it is very shortsighted on the state commissions'  
22 part. As Milton Friedman famously observed, 'There is no such thing as a free  
23 lunch.' The collective effect of the individual states' actions is to needlessly  
24 drive up the cost of universal service and the funds that must be collected from  
25 consumers. In addition, I would submit that the misapplication of the public  
26 interest standard can, and probably will, have adverse unintended consequences.

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<sup>12</sup> NASUCA Comments, pp.8-9, CC Docket No. 96-45

1 **Q. IF THE PROMOTION OF COMPETITION ALONE IS NOT SUFFICIENT**  
2 **TO SATISFY THE PUBLIC INTEREST, HOW SHOULD THE**  
3 **COMMISSION MAKE SUCH A DETERMINATION?**

4 A. The Act itself does not define the term. I would observe, however, that a  
5 legislative direction to an administrative agency to determine whether an action is  
6 in the “public interest” generally requires the agency to engage in a weighing of  
7 all the relevant factors or considerations. That is the course I recommend in this  
8 case.

9 **Q. HOW SHOULD THE COMMISSION CONDUCT THIS WEIGHING**  
10 **PROCESS?**

11 A. The ultimate question here is whether the federal USF should be employed to  
12 subsidize the Applicants’ competitive efforts in the rural telephone companies’  
13 service areas. I suggest, therefore, that we must first consider what we are trying  
14 to accomplish with USF payments, what is the likelihood that we will achieve our  
15 goals, and whether the expected results justify the costs. In FCC Commissioner  
16 Adelstein’s words, regulators should consider the following issues in  
17 administering the public interest test:

18 Whether granting ETC status to a competitor will bring benefits to  
19 a community that it does not already have and what effect it will  
20 have on the overall size of the fund, and thus on consumers’ bills.  
21 So, a threshold question is, does the benefit to consumers outweigh  
22 the ultimate burden on consumers.<sup>13</sup>  
23

24 **Q. HOW SHOULD THE PROMOTION OF COMPETITION FIT INTO THIS**  
25 **ANALYSIS?**

---

<sup>13</sup> Remarks of Commissioner Johnathan S. Adelstein before the National Association of Regulatory Utility Commissioners on February 25, 2003, quoted in NTCA Reply Comments, P.5, CC Docket No. 96-45.

1 A. The Applicants argue that competing universal service providers will force all  
2 competitors to provide more efficient and more attractive service, thus  
3 presumably lowering the costs and improving the value of service for everyone.  
4 Further, to quote Mr. Ishihara, they argue that the failure to subsidize the  
5 Applicants' competitive efforts "would deprive consumers of the benefits of  
6 competition. . . ." Ishihara Direct, P. 23, L. 18.

7 So the first question is whether Mr. Ishihara is correct. Is a subsidy  
8 necessary to bring rural customers the competitive benefits of wireless  
9 competition?

10 **Q. AND THE ANSWER IS?**

11 A. The evidence simply doesn't support Mr. Ishihara's assertion. The FCC's most  
12 recent CMRS Competition report found that 94 percent of the total United States  
13 population lives in counties with three or more mobile telephone service  
14 operators.<sup>14</sup> ITA members' customers also generally have a wide choice of  
15 wireless providers. In the survey I discussed earlier, we found an average of 5  
16 wireless carriers serving the ITA members' study areas. Four study areas reported  
17 between 1 to 3 wireless providers, four additional study areas stated that there  
18 were 4 to 6 providers, and the remaining four study areas identified between 7 to  
19 10 wireless carrier alternatives. In many cases, these CMRS providers have been  
20 offering mobile service for 5 to 10 years. Even more significantly, these carriers  
21 have been offering their services since inception without high-cost support. This  
22 is impossible to square with the Applicants' contention that, without USF

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<sup>14</sup> Notice at para. 12.

1 subsidies, there will be no wireless competition in the rural telephone companies'  
2 service areas.

3 **Q. BUT ISN'T IT POSSIBLE THAT USF SUBSIDIES WILL INCREASE**  
4 **WIRELESS CARRIER'S COMPETITIVE EFFORTS?**

5 A. Perhaps, if one believes that wireless carriers and incumbent LECs are direct  
6 competitors. But the evidence for this proposition is not persuasive. As the table  
7 on page 19 of my testimony indicates, access line counts for both Citizens and the  
8 ITA members have been essentially flat during the last three years. This is not  
9 surprising given the economy in this area of the country, with continuing small  
10 business closures, and population declines.

11 But if the many wireless carriers in the rural telephone companies service  
12 areas were in fact competing with the incumbent to provide universal service, we  
13 would expect to see significant line count losses by the incumbents. This simply  
14 hasn't happened. While discussions with ITA members indicate there is  
15 anecdotal evidence that a few customers may have "cut the cord", the companies  
16 are not experiencing major access line losses to CMRS providers.

17 The story is different when examining interstate access minutes of use. For  
18 the combined study areas, interstate access minutes of use increased three percent  
19 from 2000 to 2001, and were essentially flat from 2001 to 2002. However, when  
20 the data is disaggregated to the study area level, the majority of ITA members  
21 experienced interstate access usage declines in the four percent to eight percent  
22 range.

23 **Q. WHAT CONCLUSIONS DO YOU DRAW FROM THIS EVIDENCE?**

1 A. Based on the foregoing rural Idaho specific information, I believe that wireless  
2 service is complementary to wireline service with respect to basic local service,  
3 but that customers are substituting wireless service for their long distance calling.  
4 This understandably reflects the regional and national “buckets of minutes”, free  
5 night and weekend calling, and other features being offered by the CMRS  
6 providers. Dr. William R. Gillis in recent testimony before the Senate  
7 Subcommittee supports this view:

8 ...I would observe mobile wireless and traditional  
9 telecommunications are not for the most part competing services  
10 and have been inappropriately characterized as such. With the  
11 exception of those cases where mobile wireless has resulted in the  
12 ability of customers to eliminate their traditional  
13 telecommunications connections, we are discussing  
14 complementary services, both desired by consumers for different  
15 reasons<sup>15</sup>.

16  
17 As the data indicates, rural Idaho customers are not substituting their  
18 wireline phones for wireless phones to any major extent. Rather, as observed by  
19 Dr. Gillis, they value both services for different reasons. With respect to wireline  
20 service, customers place importance on reliability, quality of service, public  
21 safety, and the ability to receive service regardless of where they live in the  
22 ILEC’s service territory. Wireless service offers the customer a different value  
23 proposition; namely mobility, nationwide calling, different ringing tones, and  
24 differentiated phones, among other factors.

25 This situation raises a couple of compelling public interest questions.

26 First, how can the presumed benefits of competition occur when there appears to

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<sup>15</sup> Testimony of Dr. William R. Gillis, Director, Center to the Bridge to the Digital Divide, Washington State University, before the Communications Subcommittee of the Senate Committee on Commerce, Science, and Transportation, April 2, 2003.

1 be little direct wireless competition with the incumbents for the provision of  
2 universal service? Second, does it make sense to devote scarce federal universal  
3 service funds to promote wireless competition in rural areas when that  
4 competition is largely directed against interexchange carriers who do not qualify  
5 for similar subsidies?

6 **Q. BUT EVEN IF WIRELESS USF SUPPORT IS NOT NECESSARY TO**  
7 **PROMOTE USF GOALS IN RURAL AREAS, ISN'T IT APPROPRIATE**  
8 **TO ENABLE WIRELESS PROVIDERS TO "COMPETE EQUITABLY**  
9 **WITH THE INCUMBENT ETCS"?**

10 A. I take issue with this statement for a number of reasons. First, as I pointed out  
11 earlier, the goal of the federal USF is to promote universal service rather than  
12 competition. Moreover, wireless carriers have a number of competitive  
13 advantages over rural telephone companies. These include the fact that wireless  
14 carriers:

15 Are generally unregulated entities that provide highly variable  
16 service quality, varying levels of customer service, unilaterally  
17 determined billing and collection practices, unilaterally determined  
18 rates and have no requirement to provide facilities in specific  
19 areas.<sup>16</sup>  
20

21 In addition, wireless companies have no Carrier of Last Resort  
22 Obligations, do not provide equal access to long distance services as do the  
23 incumbents, and any USF funding they receive is based on the incumbent's costs  
24 that have no relation to the wireless carrier's specific costs of providing service.

25 Given these advantages, there is no reason to believe wireless carriers  
26 need subsidies to level the competitive playing field. It is at least equally likely

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<sup>16</sup> NASUCA Comments, P. 8, CC Docket No. 96-45.

1 that competitive ETC designations for wireless carriers, “that arguably level the  
2 playing field, in fact, provide windfalls to carriers with lower costs and lesser  
3 regulatory burdens.”<sup>17</sup>

4 **Q. ARE THERE ANY OTHER MATTERS THE COMMISSION SHOULD**  
5 **CONSIDER IN DETERMINING THE PUBLIC INTEREST?**

6 A. Yes. There is always the question of costs. The many comments before the  
7 Federal-State Joint Board on Universal Service, CC Docket No. 96-45, have been  
8 nearly unanimous in citing an alarming rise in federal USF payments to  
9 competitive ETCs. According to the Universal Service Administrative Company,  
10 universal service payments to competitive ETCs in the most recent quarter have  
11 increased 71% over the quarterly payments of a year ago, and they now amount to  
12 \$62.7 million per quarter.<sup>18</sup>

13 This would perhaps be tolerable if we had a high degree of assurance that  
14 these funds are in fact promoting universal service goals. But as this testimony  
15 points out, the evidence suggests that subsidizing wireless ETCs does little or  
16 nothing for universal service. What it does promote, as both investment analysts  
17 and consumer groups have pointed out, is a growing contribution to the wireless  
18 industry’s bottom line.

19 **Q. WHAT IS YOUR BASIS FOR THAT STATEMENT?**

20 A. In the first place, it is a simple mathematical fact that, in any service area where  
21 the wireless ETC’s costs are less than the incumbent ILEC’s, the wireless carrier  
22 will recover a windfall profit in excess of its cost of service because its support

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<sup>17</sup> NTCA Reply Comments, P. 2, CC Docket No. 96-45.

<sup>18</sup> OPASTCO Reply Comments, P. 2, CC Docket No. 96-45.

1 payments are based, not on the amount it needs for universal service support, but  
2 on the payments necessary to meet the incumbent's needs.

3 Moreover, those whose business it is to analyze the industry's economics  
4 have reached the same conclusion. For instance, a recent Solomon Smith Barney  
5 report concluded that Western Wireless's "USF subsidy represents an incremental  
6 revenue source" where the "incremental revenue is almost all margin."<sup>19</sup>

7 **Q. DO THESE CONSIDERATIONS HAVE RAMIFICATIONS BEYOND**  
8 **THE PRESENT CASE?**

9 A. Yes. If the Commission grants these insupportable Applications, it is difficult for  
10 me to imagine any grounds that will suffice to deny subsequent applications. In  
11 that event, we can assume that virtually all of the wireless carriers operating in  
12 Idaho will apply for, and be granted, ETC status and federal USF support.  
13 Furthermore, I would expect that these carriers will ultimately seek funding from  
14 the state universal service fund as well.

15 The result will be the creation of a whole new industry subset, founded not  
16 on competitive business principles, but rather on the desire to maximize  
17 regulatory subsidies that have little or nothing to do with universal service. The  
18 ultimate irony is that this will distort, rather than advance, competition, and place  
19 legitimate universal service funding at risk.

20 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

21 A. The facts in this case indicate that the Applicants cannot, and will not, meet the  
22 minimum threshold statutory requirement for ETC status because they will not be  
23 providing service throughout the entirety of the incumbent rural telephone

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<sup>19</sup> Cited in NTCA Reply Comments, P. 7, CC Docket No. 96-45.

1 companies' service areas. Furthermore, even if the Applicants met the threshold  
2 test, their Applications are not in the public interest and should be denied.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 A. Yes.

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 30<sup>th</sup> day of October 2003, I caused to be served a true and correct copy of the foregoing document by the method indicated below, and addressed to the following:

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Idaho Public Utilities Commission  
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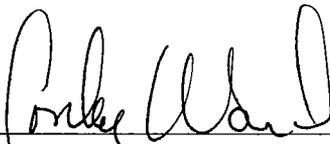
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\_\_\_\_\_  
Conley E. Ward

**Daniel L. Trampush**  
**Director, Telecommunications Consulting**  
**Moss Adams LLP**

Dan has over 30 years of experience in the telecommunications industry. Prior to joining the firm, Dan was National Director of Telecommunication Consulting for Ernst & Young LLP where he was responsible for coordinating services to clients throughout North America and providing technical industry support to audit clients. The services he provides include product costing and profitability analysis; business planning, transfer pricing, development of access charges; and various accounting issues. He has performed valuation studies, evaluated targets for merger and acquisition purposes, evaluated organizational structures, and assisted clients with franchise applications. Dan has also provided assistance in rate cases, provided training to client personnel on a variety of accounting and business issues, and assisted cable television clients in conducting market entry studies and pricing services.

In addition, Dan has provided expert testimony before the Federal Communications Commission, Federal Energy Regulatory Commission, U.S. Federal Court, and several state regulatory bodies on various accounting and regulatory issues. He has delivered numerous seminars and presentations on issues affecting the telecommunications industry, including the development of competition, capital recovery, service and product costing, and alternative regulatory frameworks. He also served for three years as Chief Financial Officer for a publicly traded Competitive Local Exchange Carrier with over \$1 billion in assets. His responsibilities encompassed accounting and SEC reporting, finance (including four public offerings), and investor relations.

**CLEAR TALK COVERAGE AREA -- Idaho Exchanges and Wire Centers**

Idaho PUC Docket No. GNR-T-03-8

**EXHIBIT 1 TO CLEAR TALK DIRECT TESTIMONY**

<b>Company</b>	<b>City</b>	<b>County</b>	<b>Wire Center Code</b>	<b>Exchange</b>
Qwest Communications/RBOC  (Note: Pursuant to PUC Order No. 29261, dated 6/10/2003, Clear Talk was designated as an Eligible Telecommunications Carrier in these Listed Qwest Exchange Areas)	American Falls	Power	AMFLIDMARS1	American Falls
	Blackfoot	Bingham	BLFTIDMADS0	Blackfoot
	Bliss	Gooding	BLSSIDMARS1	Bliss
	Buhl	Twin Falls	BUHLIDMARS1	Buhl
	Burley	Cassia	BRLYIDMADS0	Burley
	Firth	Bingham	FRTHIDMARS1	Shelley
	Fort Hall	Bingham	RVSDIDMARS1	Pocatello
	Gooding	Gooding	GDNIDMARS1	Gooding
	Idaho Falls	Bonneville	IDFLIDMADS1	Idaho Falls
	Inkom	Bannock	INKMIDMARS1	Pocatello
	Jerome	Jerome	JERMIDNMDS0	Jerome
	Kimberly	Twin Falls	KMBRIDMARS1	Kimberly
	Lava Hot Springs	Bannock	LHSPIDMARS1	Lava Hot Springs
McCammon	Bannock	MCCMIDMARS1	McCammon	
Pocatello	Bannock	PCTLIDMADS1	Pocatello	
Rexburg	Madison	RXBGIDMADS0	Rexburg	
Rigby	Madison	RGBYIDMARS1	Rigby	
Shelley	Bonneville	SHLYIDMARS1	Shelley	
Twin Falls	Twin Falls	TWFLIDMADS0	Twin Falls	
Ucon	Bonneville	RGBYIDMARS1	Idaho Falls	
Wendell	Gooding	WNDLIDMARS1	Wendell	
Fremont Telecom	Ashton	Fremont	ASTNIDMARS0	Ashton
	Chester	Fremont	STATIDMADS0	St. Anthony
	StAnthony	Fremont	STATIDMADS0	St. Anthony
Project Mutual	Heyburn	Minidoka	HYBNID01RSO	Qwest/Burley
	Paul	Minidoka	PAULIDXCDS0	Paul
	Rupert	Minidoka	RPRTIDXCDS0	Rupert
Citizen Telecom of ID	Aberdeen	Power	ABRDIDXCDS0	Aberdeen

DIRECT TESTIMONY OF DANIEL L. TRAMPUSH  
 IPUC Case Nos. GNR-T-03-08 and GNR-T-03-16  
 EXHIBIT NO. 302

**GNR-T-03-08 & GNR-T-03-16**

**TRAMPUSH CORRECTED**

**TESTIMONY & EXHIBITS**

**FILED 10/30/03**

**EXHIBITS 303 & 304**

**BAD QUALITY**

**CANNOT BE SCANNED**