

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

**IN THE MATTER OF THE PETITION OF)
CELLCO PARTNERSHIP AND ITS)
SUBSIDIARIES AND AFFILIATES TO)
AMEND AND CONSOLIDATE ELIGIBLE)
TELECOMMUNICATIONS CARRIER)
DESIGNATIONS IN THE STATE OF SOUTH)
DAKOTA AND TO PARTIALLY)
RELINQUISH ETC DESIGNATION)**

TC10-090

DIRECT TESTIMONY OF

DON J. WOOD

ON BEHALF OF

VERIZON WIRELESS

JANUARY 7, 2011

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Don J. Wood. I am a principal in the firm of Wood & Wood, an economic
3 and financial consulting firm. My business address is 914 Stream Valley Trail,
4 Alpharetta, Georgia 30022. I provide economic, financial, and regulatory analysis
5 services of telecommunications and related technology-driven industries, with an
6 emphasis on economic policy, competitive market development, and cost-of-service
7 issues.

8
9 Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.

10 A. I received a BBA in Finance with distinction from Emory University and an MBA with
11 concentrations in Finance and Microeconomics from the College of William and Mary.
12 My telecommunications experience includes employment at both a Regional Bell
13 Operating Company ("RBOC") and an Interexchange Carrier ("IXC"). Specifically, I
14 was employed in the local exchange industry by BellSouth Services, Inc. in its Pricing
15 and Economics, Service Cost Division. My responsibilities included performing cost
16 analyses of new and existing services, preparing documentation for filings with state
17 regulatory commissions and the Federal Communications Commission ("FCC"),
18 developing methodology and computer models for use by other analysts, and performing
19 special assembly cost studies.

20 I was employed in the interexchange industry by MCI Telecommunications
21 Corporation, as Manager of Regulatory Analysis for the Southern Division. In this
22 capacity I was responsible for the development and implementation of regulatory policy
23 for operations in the southern region. I then served as a Manager in MCI's Economic

1 Analysis and Regulatory Affairs Organization, where I participated in the development of
2 regulatory policy for national issues.

3

4 Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE STATE
5 REGULATORY COMMISSIONS?

6 A. Yes. I have testified on telecommunications issues before the regulatory commissions of
7 forty-two states, Puerto Rico, and the District of Columbia. I have also presented
8 testimony regarding telecommunications issues in state, federal, and overseas courts,
9 before alternative dispute resolution tribunals, and at the FCC. A listing of my previous
10 testimony is attached as **Exhibit DJW-1**.

11

12 Q. ARE YOU FAMILIAR WITH THE APPLICATION OF UNIVERSAL SERVICE
13 MECHANISMS AT THE STATE AND FEDERAL LEVELS?

14 A. Yes. In the course of my professional experience, I have addressed issues regarding the
15 design, implementation, and ongoing administration of universal service support
16 mechanisms. I have also performed extensive analyses of the costs of service, including
17 but not limited to network costs, incurred by telecommunications carriers to provide local
18 exchange services and have specifically addressed the issue of how costs may vary
19 among and between geographic areas. I was involved in the review and analysis of both
20 the Hatfield/HAI cost model and the Benchmark Cost Proxy Model (“BCPM”)
21 considered by the FCC in CC Docket No. 96-45, and have presented testimony regarding
22 the relative merits of both cost models on numerous occasions.

23 More recently, I have analyzed the applications of a number of carriers seeking
24 designation as an Eligible Telecommunications Carrier (“ETC”), including applications

1 to be granted ETC status in areas serviced by both non-rural and rural Incumbent Local
2 Exchange Companies (“ILECs”). To date, I have testified regarding such applications for
3 ETC designation in Alabama (decided by the FCC), Alaska, Colorado, Idaho, Illinois,
4 Indiana, Kansas, Kentucky, Minnesota, Missouri, Montana, Nebraska, Nevada,
5 Oklahoma, Oregon, South Carolina, Texas, Vermont, West Virginia, Wyoming, and here
6 in South Dakota.

7

8 Q. ARE YOU FAMILIAR WITH THE FEDERAL REQUIREMENTS FOR THE
9 DESIGNATION OF A CARRIER AS AN ETC?

10 A. Yes. I am familiar with the relevant portions of the 1996 Act and the Code of Federal
11 Regulations, and have reviewed the FCC’s orders on universal service issues.

12

13 Q. ARE YOU FAMILIAR WITH THE STATE REQUIREMENTS FOR THE
14 DESIGNATION OF A CARRIER AS AN ETC?

15 A. Yes. I have reviewed the Commission’s rules for the designation of an ETC. These
16 requirements are set forth in A.R.S.D. §§ 20:10:32:42 *et seq.*

17

18 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

19 A. I have been asked by Cellco Partnership d/b/a Verizon Wireless and its subsidiaries and
20 affiliates (“Verizon Wireless”) to review its September 3, 2010 *Petition to Amend and*
21 *Consolidate Eligible Telecommunications Carrier Designations in the State of South*
22 *Dakota and to Partially Relinquish ETC Designation* (“Petition”) and to evaluate whether
23 granting the Petition would be in the public interest.

24

1 Q. WHAT IS YOUR UNDERSTANDING OF THE PURPOSE OF THE PETITION?

2 A. In 2001, the Commission initially designated GCC License Corporation, predecessor to
3 WWC License, LLC (“WWC”), as an ETC in all non-rural telephone company wire
4 centers throughout the State of South Dakota.¹ In 2003 and 2005, the Commission
5 approved expansion of WWC’s designated service area to include the entire study areas
6 of certain rural telephone companies.² The Commission designated RCC as an ETC in
7 South Dakota in 2005.³ The WWC and RCC ETC designations are referred to
8 collectively in my testimony as the “ETC Designations.”

9 Pursuant to the ETC Designations, WWC and RCC took on a number of
10 responsibilities as an ETC in these geographic areas. These responsibilities include the
11 duty to offer the services or functionalities that are supported by federal universal support
12 mechanisms using their own facilities or a combination of their own facilities and resale
13 of another carrier’s services (47 C.F.R. §54.201(d)(1)), advertise the availability of such

¹ *In the Matter of the Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, TC98-146, Order Designating GCC License Corporation as an Eligible Telecommunications Carrier in Non-Rural Telephone Company Exchanges (Oct. 18, 2001) (“*Non-Rural ETC Order*”).

² *In the Matter of the Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, TC98-146, Findings of Fact and Conclusions of Law; Notice of Entry of Order (Oct. 18, 2001) (“*Public Interest Order*”); *In the Matter of the Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, TC98-146, Order Designating Western Wireless as an ETC for Areas Served by Certain Rural Telephone Companies (Jan. 6, 2003) (“*Rural ETC Order*”); *In the Matter of the Filing by WWC License, LLC d/b/a CellularOne for Designation as an Eligible Telecommunications Carrier in Other Rural Areas*, TC03-191, Amended Order Designating Western Wireless as an Eligible Telecommunications Carrier; Findings of Fact and Conclusions of Law; and Notice of Entry of Order (Jan. 3, 2005) (“*Rural Expansion Order*”).

³ *In the Matter of the Filing by RCC Minnesota, Inc. and Wireless Alliance, LLC, d/b/a Unicel for Designation as an Eligible Telecommunications Carrier*, TC03-139, Order Designating RCC Minnesota, Inc. and Wireless Alliance, LLC, d/b/a Unicel as Eligible Telecommunications Carriers; Findings of Fact and Conclusions of Law; and Notice of Entry of Order (June 6, 2005) (“*RCC Order*”).

1 services and the associated charges (including Lifeline and Linkup services) using media
2 of general distribution (47 C.F.R. §54.201(d)(2)), and to use any support received only
3 for the provision, maintenance, and upgrading of facilities and services for which the
4 support is intended (47 C.F.R. §54.7). Additional duties include requirements to provide
5 service upon reasonable request (A.R.S.D. § 20:10:32:43.01); to submit a two-year plan
6 and subsequent progress reports concerning improvements or upgrades to the network
7 (A.R.S.D. §§ 20:10:32:43.02 and 20:10:32:54); to remain functional in emergency
8 situations (A.R.S.D. §§ 20:10:32:43.03 and 20:10:32:54(7)); to satisfy consumer
9 protection and service quality standards (A.R.S.D. §§ 20:10:32:43.04 and
10 20:10:32:54(6)); to offer a comparable local usage plan (A.R.S.D. §§ 20:10:32:43.05 and
11 20:10:32:54(6) and other requirements.

12 On August 6, 2008, Verizon Wireless acquired Rural Cellular Corporation and
13 each of its subsidiaries and affiliates, including RCC. In 2005, WWC was acquired by,
14 and became a subsidiary of, Alltel Corporation (“Alltel”). On January 9, 2009, Alltel
15 merged with Verizon Wireless. As a result, it is my understanding that Verizon Wireless
16 now performs all of the responsibilities associated with operating as an ETC in the
17 designated ETC service area from the ETC designations.⁴ The amendment and
18 consolidation being requested by Verizon Wireless in its Petition seeks to make clear that
19 it now bears these responsibilities throughout the designated ETC service area,⁵ and that
20 it must now be responsive to both the Commission and to customers in order to meet

⁴ The designated area in South Dakota within which Verizon Wireless has taken on all ETC responsibilities is described in detail in Exhibit B to the Petition.

⁵ The Commission has already granted the partial relinquishment in the Golden West area that Verizon Wireless requested in the Petition. Thus, the area in which Verizon Wireless now bears ETC responsibilities does not include the relinquished area.

1 these responsibilities.

2

3 Q. FROM A PUBLIC INTEREST STANDPOINT, IS THE CLEAR IDENTIFICATION OF
4 VERIZON WIRELESS AS THE ETC RESPONSIBLE FOR SERVING THE
5 DESIGNATED AREA IMPORTANT?

6 A. Yes. As noted earlier, I have presented testimony in state and FCC proceedings in
7 support of competitive carriers seeking designation as an ETC. In each of those cases,
8 my testimony addressed the public interest aspects of granting the petition, and the
9 importance of the petitioner's assumption and performance of the ETC responsibilities.
10 Put directly, the public interest of a competitive ETC serving a given area depends on the
11 ability and willingness of the company to meet its responsibilities as an ETC for the
12 benefit of consumers. In part, these responsibilities include using the support only for the
13 intended uses and providing regulators with the information necessary to ensure that the
14 support has been properly used.

15 The experience of the people who live in the area of a carrier's ETC designation
16 is also an important consideration. For example, it is important that Verizon Wireless
17 continue to advertise the availability of its services throughout the designated service area
18 so that someone who might benefit from Lifeline or Link Up assistance will be aware that
19 discounted service through these programs is available from Verizon Wireless. Because
20 Verizon Wireless has committed to continue satisfying the responsibilities of an ETC,
21 any qualified low-income consumer within the designated service area can avail herself
22 of the Lifeline and Link Up programs through Verizon Wireless.

23

24 Q. WHAT IS VERIZON WIRELESS *NOT* SEEKING IN ITS PETITION?

1 A. It is my understanding that Verizon Wireless is not seeking to modify or eliminate any of
2 the ETC obligations and responsibilities that were originally established in the ETC
3 Designations, except for certain *ad hoc* requirements that are not included in the
4 Commission's ETC rules.⁶ Verizon Wireless is simply seeking to amend and consolidate
5 the designation orders so that Verizon Wireless is consistently identified as the
6 competitive ETC performing these important responsibilities and so that it must continue
7 to be responsive to the Commission and to customers as a competitive ETC. Verizon
8 Wireless is also not seeking to expand or otherwise change the geographic scope of the
9 designated service area, except for the relinquishment of a specific and limited area.⁷

10

11 Q. YOU STATED THAT RCC AND VERIZON WIRELESS MERGED IN 2008, AND
12 THAT ALLTEL AND VERIZON WIRELESS MERGED IN 2009. WERE THESE
13 MERGERS SUBJECT TO FCC APPROVAL?

14 A. Yes. The FCC approved the RCC-Verizon Wireless transaction in its *Memorandum*
15 *Opinion and Order and Declaratory Ruling*, FCC 08-181, released August 1, 2008
16 (“*RCC Merger Order*”). The FCC approved the Alltel-Verizon Wireless transaction in
17 its *Memorandum Opinion and Order and Declaratory Ruling*, FCC 08-258, released
18 November 10, 2008 (“*Alltel Merger Order*”).

19 These mergers were approved by the FCC subject to certain conditions and

⁶ Specifically, Verizon Wireless is requesting that the Commission eliminate the obligations to (1) file an advertising plan with the Commission, including a description of the available calling areas and Lifeline / Link Up advertising and application materials; and (2) file a customer service agreement containing a notice that claims and disputes may be brought before the Commission for resolution and a notice of the availability of Lifeline / Link Up assistance and application instructions.

⁷ As noted previously, the Commission has already granted this limited relinquishment.

1 expectations. The FCC contemplated that the mergers would result in public interest
2 benefits (benefits that were expected to accrue to customers in both non-rural and rural
3 areas), including but not limited to increased network coverage (in terms of both scope
4 and quality), improved services and features, expedited and expanded roll-out of
5 broadband and other next-generation services, improvements in service quality, increased
6 efficiencies, and ultimately increased and more robust competition for wireless services.⁸
7 Ultimately, the purpose and effect of the mergers was to integrate the RCC, Alltel and
8 Verizon Wireless operations and to provide all subscribers “Verizon Wireless” service.

9 One of the expectations of the FCC and of Verizon Wireless in considering the
10 merger of the companies was that Verizon Wireless would “expeditiously integrate” the
11 networks⁹ and business operations of the merged companies. In fact, many of the
12 commenters who opposed the merger (or who sought the imposition of additional
13 conditions) based their positions on an assumption that Verizon Wireless would either be
14 unable or unwilling to engage in such an “expeditious integration.”

15
16 Q. DID VERIZON WIRELESS ENGAGE IN THE “EXPEDITIOUS INTEGRATION”
17 EFFORTS NECESSARY TO PROVIDE THE PUBLIC BENEFITS ENVISIONED BY
18 THE FCC?

19 A. Yes. Once the transaction was finalized, Verizon Wireless began the process of
20 integrating both network and business (primarily customer service and billing) operations

⁸ *Alltel Merger Order*, ¶¶115-156.

⁹ At ¶159 the *Alltel Merger Order*, the FCC conditioned its approval of the merger on the divestiture of Alltel network and operational assets in a number of geographic markets, including the area in South Dakota previously served by Alltel. While Verizon Wireless continues to have the duty to serve this area as an ETC, it must do so using network and operational assets other than those previously used by Alltel to serve the area.

1 so that the transition would be as seamless as possible for customers. When the
2 integration of business systems was completed, all of the former RCC customers were
3 fully integrated into the consolidated Verizon Wireless operations.
4

5 Q. WHAT HAS BEEN THE PRACTICAL EFFECT OF THESE “EXPEDITIOUS
6 INTEGRATION” EFFORTS?

7 A. The practical effect¹⁰ of these efforts is that consumers who reside in the designated ETC
8 service area in South Dakota have benefited. The consumers have access to Verizon
9 Wireless services, calling plans, features, and handsets today, and will continue to benefit
10 through the roll-out of additional network capabilities and services. A second practical
11 effect is that Verizon Wireless’ provision of service as a competitive ETC allows it to
12 compete directly with other ETCs serving the designated ETC service area. This direct
13 competition is good for consumers because they have access to services, features, and
14 pricing plans from carriers who are competing on an equal footing. Most importantly,
15 Verizon Wireless’ performance of its responsibilities as an ETC throughout the
16 designated ETC service area – and the ability of the people who live in these areas to
17 continue benefiting from Verizon Wireless’ operation as an ETC – is not limited by what
18 network facilities are used to serve the customer, what carrier originally constructed the
19 facilities, or whether the facilities were originally constructed (in whole or in part) using
20 universal service support funds. All Verizon Wireless subscribers now receive a
21 seamless service throughout the designated ETC service area. In other words, Verizon

¹⁰ It is not my intent to address the legal obligations of Verizon Wireless or any other carrier in my testimony. Instead, my purpose is to describe how customers have been impacted by the Verizon Wireless-Alltel and Verizon Wireless-RCC mergers and Verizon Wireless’ continued service as a competitive ETC in South Dakota.

1 Wireless treats all of its subscribers within the designated ETC service area as universal
2 service customers and, therefore, all of the Company’s subscribers in these areas receive
3 the same benefits and are reported in the same manner to USAC for universal service
4 purposes.

5

6 Q. WERE THERE ADDITIONAL CONDITIONS PLACED ON THE RCC-VERIZON
7 WIRELESS AND ALLTEL-VERIZON WIRELESS MERGERS?

8 A. Yes. The United States Department of Justice (“DOJ”) and FCC approvals of Verizon
9 Wireless’ acquisition of RCC and Alltel were conditioned on Verizon Wireless’
10 divestiture of wireless telecommunications assets and subscribers in certain markets
11 where the transactions may have afforded Verizon Wireless concentrated market share.
12 In South Dakota, Verizon Wireless was directed to divest network assets and subscribers
13 in the WWC/Alltel market areas.

14

15 Q. DID THE REQUIREMENT TO DIVEST NETWORK ASSETS IN THE
16 GEOGRAPHIC AREAS PREVIOUSLY SERVED BY WWC/ALLTEL RELIEVE
17 VERIZON WIRELESS OF ITS OBLIGATIONS TO SERVE THESE AREAS AS AN
18 ETC?

19 A. My understanding is that it did not. In the language of its orders, the FCC has been clear
20 that ETC obligations are unaffected by mergers. For example, when considering the
21 (then) proposed merger between Verizon Wireless and RCC, petitioners asked the FCC
22 to impose as a merger condition a duty for Verizon Wireless to continue to be subject to
23 RCC’s ETC obligations. The FCC effectively concluded that no merger condition was
24 necessary, because Verizon Wireless would be subject to these obligations even without

1 such an explicit condition:

2 In the majority of states at issue in the proposed transaction, the relevant
3 state commissions asserted their jurisdiction over ETC designations, and
4 the Commission acted on ETC designation requests in the remainder of
5 states at issue. *We find that the proposed transaction will not affect the*
6 *ETC obligations of the companies at issue; the ETC obligations in effect*
7 *prior to the proposed transaction will remain in effect upon consummation*
8 *of the proposed transaction. Accordingly, we need not address herein*
9 *Joint Petitioners' request that Verizon Wireless, upon consummation of*
10 *the proposed transaction, be required to continue to provide service as a*
11 *CETC at the same rates and under the same terms and conditions as*
12 *currently offered by RCC/Unicel.*¹¹

13
14 In that Order, the FCC was clear that, regardless of whether the ETC designation
15 was made by a state regulator or by the FCC, the ETC obligations in effect prior to the
16 proposed transaction remain in effect for the post-merger combined operations. In South
17 Dakota, Verizon Wireless has acted in a way that is consistent with this conclusion: it has
18 taken on the ETC obligations that were in effect prior to the merger, and has done so for
19 the entire designated ETC service area (including the areas where it was required to
20 divest network assets, and the areas in which it was expected to expeditiously consolidate
21 network assets). Verizon Wireless continues to provide wireless telecommunications
22 services to its current and new subscribers and in the divested market areas with the
23 facilities and FCC licenses that Verizon Wireless owned and operated prior to its
24 acquisition of WWC/Alltel.

25

26 Q. IS THE REPORTING OF ALL SUBSCRIBER LINES SERVED BY VERIZON
27 WIRELESS WITHIN THE DESIGNATED AREA REASONABLE?

28 A. Yes. Reporting all of the lines served by Verizon Wireless is reasonable for several

¹¹ *Memorandum Opinion and Order and Declaratory Ruling*, FCC 08-181, released August 1, 2008 (“*RCC Merger Order*”), ¶125 (emphasis added).

1 reasons. First, such an approach is consistent with the language of the FCC's rules.
2 Section 54.307(a) refers to an ETC's eligibility for support "for each line it serves in a
3 particular service area" in areas served by rural ILECs and "for each line it serves in a
4 particular wire center" in areas served by a non-rural ILEC. Second, this approach is
5 consistent with the guidance provided to Verizon Wireless by FCC Staff, and described
6 in letters from Verizon Wireless to USAC. Third, such an approach reflects the reality of
7 the integrated operations in the former RCC service area. Because former RCC
8 customers have either chosen to move to Verizon Wireless calling plans and handsets
9 when first offered or were subsequently integrated with the Verizon Wireless operations,
10 it is no longer practical to distinguish the former RCC customers from other current
11 Verizon Wireless customers. Even if it made sense for Verizon Wireless to report only
12 those lines associated with customers who were formerly served by RCC at some
13 arbitrary point in time, it would be impractical to identify those customers. For example,
14 if Verizon Wireless were somehow required to distinguish between its subscribers, it
15 would almost certainly result in consumer confusion and frustration if Verizon Wireless
16 were to deny a subscriber Lifeline and Link Up assistance, or refuse to evaluate a request
17 for service, simply because the subscriber was not formerly served by RCC. Fourth, such
18 an approach accurately reflects the ETC obligations that Verizon Wireless continues to
19 meet in both the RCC and WWC/Alltel service areas. Verizon Wireless is reporting lines
20 for customers within the geographic area that it serves as an ETC.

21
22 Q. YOU STATED THAT REPORTING THE LINES THAT IT SERVES IN THE
23 DESIGNATED ETC AREA IS CONSISTENT WITH VERIZON WIRELESS' ETC
24 OBLIGATIONS AND RESPONSIBILITIES. DOES REPORTING ALL OF THE

1 LINES VERIZON WIRELESS SERVES AS AN ETC ALSO POTENTIALLY
2 INCREASE THE AMOUNT OF UNIVERSAL SERVICE SUPPORT THAT VERIZON
3 WIRELESS IS ELIGIBLE TO RECEIVE?

4 A. That would depend on the location of the subscribers and the amount of support available
5 at each service location. Because the FCC determined competitive ETCs are eligible to
6 receive the same amount of support, on a per line basis, as the incumbent ETC serving
7 the same location, a simple increase in the number of lines reported does not
8 automatically result in an increase in the amount of support a competitive ETC is eligible
9 to receive. Of course, any support received by Verizon Wireless can only be used for the
10 “the provision, maintenance, and upgrading of facilities and services for which the
11 support is intended” (47 C.F.R. §54.7) within the designated area, and Verizon Wireless
12 must make an annual demonstration to the Commission that it has done so.

13

14 Q. COULD VERIZON WIRELESS’ ELIGIBILITY TO RECEIVE UNIVERSAL
15 SERVICE SUPPORT FOR ALL OF THE LINES IT SERVES ALSO POTENTIALLY
16 AFFECT THE AMOUNT OF SUPPORT RECEIVED BY OTHER ETCs?

17 A. Theoretically, yes. While it would not affect the amount of support received by any
18 incumbent ETC, Verizon Wireless’ eligibility to receive universal service support for all
19 of the lines it serves does have some potential to affect the amount of support received by
20 other competitive ETCs due to the FCC’s interim cap on competitive ETC support. In
21 2008, the FCC capped the amount of support available to competitive ETCs in each state
22 to an annualized amount based on March 2008 levels.¹² The FCC recognized that

¹² Order, FCC 08-122, released May 1, 2008 (“Interim Cap Order”).

1 competitive ETCs would then have to compete for a share of the capped support in each
2 state. As intended by the FCC's *Interim Cap Order*, Verizon Wireless' eligibility to
3 receive universal service support for all of the lines it serves could potentially affect the
4 amount of support received by other competitive ETCs if – but only if – the amount of
5 the interim cap has been reached. Of course, the reverse is equally true. If other
6 competitive ETCs increase their share of support under the interim cap, either by
7 increasing the number of customers they serve in high-cost areas, or through the
8 designation of additional competitive ETCs, those increases could reduce the amount of
9 universal service support Verizon Wireless is eligible to receive (again, such a decrease
10 would occur only if the interim cap has already been reached).

11
12 Q. HOW ELSE CAN THE TOTAL AMOUNT OF FEDERAL UNIVERSAL SERVICE
13 SUPPORT AVAILABLE TO CETCS PROVIDING SERVICE IN SOUTH DAKOTA
14 BE IMPACTED?

15 A. In a recent order,¹³ the FCC amended its rules in order to “reclaim high-cost universal
16 service support surrendered by a competitive eligible telecommunications carrier when it
17 relinquishes ETC status in a particular state.” As a result of this rule change, if a CETC
18 relinquishes its ETC designation in a given state, the capped amount of support available
19 to that state will be adjusted downward: “the cap amount for that state will be reduced by
20 the amount of capped support that the competitive ETC was eligible to receive in its final
21 month of eligibility, annualized,” and “USAC shall calculate the new annual interim cap
22 amount for the state in which the carrier had been a competitive ETC.”¹⁴

¹³ *Order*, FCC 10-205, released December 30, 2010.

¹⁴ *Id.*, ¶¶5-6.

1 The FCC was clear that the loss of support to the state would occur whether the
2 relinquishment is voluntary or involuntary: “for purposes of this Order, the state’s interim
3 cap amount will be adjusted if the competitive ETC is no longer eligible to receive
4 universal service support for whatever reason, whether it is a voluntary relinquishment, or
5 state or Commission action to revoke or rescind ETC status.”¹⁵

6 As a result of this amendment to the FCC’s rules, the total amount of federal
7 support available to divided among all CETCs in a given state will be reduced if any
8 current CETC is not designated as an ETC going forward.

9
10 Q. HAS VERIZON WIRELESS MADE AN AFFIRMATIVE COMMITMENT TO
11 CONTINUE SATISFYING ALL ETC OBLIGATIONS AND RESPONSIBILITIES?

12 A. Yes. Although the Petition does not seek a new ETC designation or designation in any
13 new or additional geographic areas, Verizon Wireless has nevertheless provided a
14 demonstration of its continued compliance with state and federal requirements. The
15 Certification of Linda Stevens (Exhibit D to the Petition) contains this demonstration and
16 Verizon Wireless’ commitment to continue satisfying all applicable state and federal
17 requirements.

18
19 Q. IN YOUR OPINION, HAS VERIZON WIRELESS DONE A COMMENDABLE JOB
20 PERFORMING THE “EXPEDITIOUS INTEGRATION” THAT WAS NECESSARY
21 IN ORDER TO MAKE THE BENEFITS OF THE MERGER A REALITY FOR SOUTH
22 DAKOTA RESIDENTS?

23 A. Yes. In the former RCC service areas, Verizon Wireless has integrated both network

¹⁵ *Id.*, ¶5, footnote 10.

1 facilities and business operations in order to maximize service quality and customer
2 service. In the former Alltel areas where Verizon Wireless was required to divest
3 network assets, Verizon Wireless uses its own network facilities but has consolidated
4 business operations in order to provide the best service possible to customers who live
5 and work in those geographic areas.

6
7 Q. IS VERIZON WIRELESS' PETITION SEEKING THE AMENDMENT OF A
8 PREVIOUS ETC DESIGNATION ORDERS UNIQUE TO SOUTH DAKOTA?

9 A. No. Because the FCC (rather than the state regulators) had jurisdiction to designate
10 ETCs in Alabama, North Carolina and Virginia, Verizon Wireless filed similar
11 applications with the FCC to amend the prior ETC designation orders issued to Alltel and
12 its subsidiaries and affiliates, and also those issued to Rural Cellular Corporation and its
13 subsidiaries and affiliates, to identify Verizon Wireless as the ETC serving the designated
14 service areas. The FCC, after seeking and considering public comment on this request,
15 concluded as follows:

16 The Commission previously designated Alltel as an ETC in Alabama,
17 Virginia, and North Carolina, and RCC as an ETC in Alabama. Cellco
18 proposes to serve the same service areas that the Commission previously
19 considered in its analysis. On November 8, 2008, Alltel and RCC became
20 wholly-owned indirect subsidiaries of Cellco. We approve Cellco's
21 requested pro forma amendments. Accordingly, the designated service
22 areas of Alltel and RCC shall reflect Cellco as the ETC designated
23 entity.¹⁶

24 In South Dakota, Verizon Wireless is serving the same designated service area
25 that this Commission previously considered in its analysis (except for the relinquished

¹⁶ Order, DA 10-992, released May 28, 2010, ¶¶2-3.

1 area), and it simply seeks a *pro forma* amendment to have the Commission's prior orders
2 amended to reflect that Verizon Wireless is the ETC serving the designated service area.

3

4 Q. HAVE ANY STATE REGULATORS RULED ON SIMILAR VERIZON WIRELESS
5 REQUESTS?

6 A. Yes. On October 1, 2010, the Arkansas Public Service Commission granted a similar *pro*
7 *forma* amendment, noting that "the Alltel and Verizon Wireless networks, business
8 operations, and subscriber bases have been fully integrated as contemplated and approved
9 by the FCC." Here in South Dakota, the networks, business operations, and subscriber
10 bases have likewise been fully integrated as contemplated and approved by the FCC, and
11 a similar amendment makes sense to reflect that integration.

12

13 Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.

14 A. The Commission's approval of Verizon Wireless' Petition is consistent with the public
15 interest. Since the approval of the RCC and Alltel mergers, Verizon Wireless has worked
16 to consolidate operations as expeditiously as possible in order to maximize the benefits of
17 the merger to South Dakota customers (and potential customers). The amendment sought
18 by Verizon Wireless in its Petition is fully consistent with the ETC responsibilities and
19 obligations that Verizon Wireless has taken on in South Dakota.

20

21 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

22 A. Yes.