
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DATKOA

IN THE MATER OF THE PEITION OF
VENTURE COMMUNICATIONS
COOPERATIVE FOR SUSPENSION OR
MODIFICATION OF LOCAL DIALING
PARITY AND RECIPROCAL
COMPENSATION OBLIGATIONS

Docket No. TC06-181
PUC 7-01

Rebuttal Testimony of Randy Houdek
On Behalf of Venture Communications Cooperative

August 10, 2007

1 **Q1. What is your name and address?**

2 A. My name is Randy Houdek. My business address is 218 Commercial Street,
3 Highmore, South Dakota 57345-0157. My business telephone number is 605-
4 852-2224.

5 **Q2. By whom are you employed and in what capacity?**

6 A. I am the General Manager of Venture Communications Cooperative (Venture).

7 **Q3. Did you file direct testimony in this Docket?**

8 A. Yes, I filed direct testimony on behalf of Venture.

9 **Q4. Please state the purpose of your rebuttal testimony.**

10 A. My rebuttal testimony addresses misleading statements made by Alltel
11 Communications witness, Mr. Ron Williams, in his Direct Testimony filed on
12 July 23, 2007 in this docket.

13 **Q5. At page 3, line 3, Mr. Williams argues that Venture seeks to eliminate the**
14 **requirement to provide local dialing parity in its Petition. Do you agree?**

15 A. No. As demonstrated in my testimony and in the rebuttal testimony of Mr.
16 Thompson, local calling currently exists in some circumstances when a Venture
17 customer calls a wireless customer, including an Alltel customer. Examples of
18 this include, but are not limited to the following: Venture customers in Britton and
19 Langford can call 605-470 numbers assigned to Alltel and routed to the Alltel POI
20 in Britton, SD, as a local call and Venture customers in Highmore, Harrold and
21 Ree Heights can call 605-478 numbers assigned to Alltel and routed to the Alltel
22 POI in Highmore, SD as a local call. Grant of Venture's Petition will not change
23 this.

1 **Q7. Mr. Williams, at page 3, lines 19-22, argues that Venture’s claims are**
2 **speculative because no carrier is demanding local dialing treatment or**
3 **routing as projected by Venture. Do you agree?**

4 A. No. My understanding of the demands made by Alltel in the interconnection
5 agreement arbitration proceeding pending before this Office and the Public
6 Utilities Commission leads me to conclude that Mr. Williams’ statement is false.
7 However, if Mr. Williams believes I am mistaken, Alltel should amend its
8 response in the arbitration proceeding and its proposed draft interconnection
9 agreement language to clarify its demands.

10 **Q8. Mr. Williams argues that the cost increases and revenue losses projected by**
11 **Venture do not amount to a “significant adverse economic impact on users of**
12 **telecommunications services generally” or impose a requirement that is**
13 **“unduly economically burdensome” on Venture. Do you agree?**

14 A. No. As shown in Venture’s cost exhibits and summarized by Mr. Thompson in
15 his rebuttal testimony, the financial impact on Venture and its subscribers would
16 be a minimum of \$1.54 per line per month and could be \$7.34 per line per month
17 or even greater. An increase of this amount would have a significant adverse
18 economic impact on our subscribers, particularly our elderly subscribers for
19 whom any added charge is a burden.

20 The increase in cost and loss of revenue also would impose an unduly
21 economically burdensome requirement on Venture. Mr. Williams’ suggestion is
22 wrong that there would be no undue burden on Venture because of various items
23 such as our cash reserves, return on equity, equity balance, and capital credits.

1 Venture's cash reserves, for example, will be used to invest in our network and
2 Venture must maintain an adequate equity balance in order to be able to obtain
3 loans for network investments. I note that Venture's current equity balance is
4 influenced by loan covenants of the Rural Utility Service and the relative amount
5 is typical of RUS borrowers. If monies needed for network expansion,
6 modification and maintenance are instead paid to Alltel in the form of excessive
7 reciprocal compensation or unwarranted dialing parity, Venture's ability to invest
8 in its network will suffer and Venture's subscribers will be shortchanged with a
9 substandard network and service. Not only will this be bad for consumers, it
10 ultimately will be bad for Venture if our customers abandon our service.

11 Mr. Williams' characterization of capital credits also is incorrect. Capital
12 credits are not a "refund of rates" paid by cooperative members. Rather, capital
13 credits represent the "retention of rates" used to provide capital for the operations
14 of the cooperative. Cooperatives, such as Venture, came into existence because
15 no publicly traded company would invest the capital to provide service in our
16 area. Venture's cooperative members, therefore, are the owners of the company.
17 As such, they may receive a distribution in the form of a retired capital credit if
18 the company has profits and if the profits are not needed for another purpose, such
19 as network investment or to maintain equity levels. There is no guarantee that
20 cooperative members will receive any capital credits in any given year.

21 With respect to Alltel's other claims concerning the relative size of the
22 revenue loss and cost increase to Venture's operating revenues and expenses,
23 Alltel also is wrong. As a common carrier, Venture is entitled to recover its costs,

1 including a reasonable rate of return (which is set by federal and state regulators).
2 Venture's current rates, therefore, are designed to generate enough revenue to
3 recover Venture's expenses. If revenues decrease or expenses increase, rates
4 must increase. Accordingly, the size of the revenue loss or expense increase in
5 relation to current operating revenues and expenses is not relevant to the question
6 of whether such revenue loss or expense increase imposes a burden on Venture
7 and its customers. I note that capital credits retired in past years also have no
8 bearing on the rates charged to consumers. Accordingly, if revenues decrease or
9 expenses increase, rates will increase even if capital credits were retired in past
10 years.

11 **Q9. Does this conclude your testimony?**

12 A. Yes.