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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of
VERIZON NORTHWEST, INC.,
For Waiver of WAC 480-120-071(2)(a)

Docket No. UT-011439

**DIRECT TESTIMONY OF
BETH KOHLER
FOR
RCC MINNESOTA, INC.**

November 20, 2002

1 Q. PLEASE STATE YOUR NAME, EMPLOYER, POSITION, AND BUSINESS
2 ADDRESS.

3 A. I am Beth Kohler. My employer is RCC Minnesota, Inc. ("RCC"), and my position is
4 Legal Services Director. My business address is 302 Mountain View Drive, Suite 200,
5 Colchester, Vermont, 05446.

6 Q. WHAT ARE YOUR DUTIES AS LEGAL SERVICES DIRECTOR?

7 A. I manager the legal and regulatory affairs for Rural Cellular Corporation and its
8 subsidiaries.

9 Q. HOW LONG HAVE YOU WORKED FOR RURAL CELLULAR CORPORATION?

10 A. I have worked for RCC since 1995.

11 Q. HOW LONG HAVE YOU WORKED IN THE TELECOMMUNICATIONS
12 INDUSTRY?

13 A. Since 1994.

14 Q. WHERE DID YOU WORK PRIOR TO RCC?

15 A. At the law firm of Down, Rachlin & Martin, which is located in Burlington, Vermont.

16 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

17 A. I graduated from Boston College in 1986 with a degree in Economics and Northeastern
18 Law School in 1992.

19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

20 A. I will analyze the public policy issues related to extending telecommunications service to
21 the Taylor Location and Timm Ranch.

22 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

23 A. I will (1) describe RCC's business, (2) describe what Eligible Telecommunications
24 Carriers ("ETC") like RCC are and discuss the subsidies available to them, (3) explain
25 why the existing subsidies are inadequate for RCC to recover the costs of serving the
26

1 Taylor Location and Timm Ranch, and (4) explain why it is bad public policy for the
2 WUTC to order RCC to serve the Taylor Location and Timm Ranch, given that RCC
3 cannot recover its costs.

4 **I. OVERVIEW OF RCC'S WASHINGTON OPERATIONS**

5 Q. PLEASE DESCRIBE RCC'S BUSINESS.

6 A. RCC is in the wireless telecommunications business. We operate wireless systems in
7 fourteen states, and our focus is on serving rural communities. RCC has many rural
8 cellular licenses issued by the Federal Communications Commission.

9 Q. DESCRIBE RCC'S OPERATIONS IN WASHINGTON.

10 A. In Washington, RCC operates wireless systems in a number of rural service areas. This
11 Commission granted RCC's application to be an eligible telecommunications carrier
12 ("ETC") in Washington on [Insert].

13 Q. HOW MANY CUSTOMERS DOES RCC HAVE IN WASHINGTON?

14 A. Approximately 44,000.

15 **II. EXEMPT TELECOMMUNICATIONS CARRIERS AND SUBSIDIES AVAILABLE TO THEM**

16 Q. YOU STATED THAT THE WUTC RECENTLY GRANTED RCC'S APPLICATION
17 TO BE AN ETC. WHAT IS AN ETC?

18 A. An ETC is a telecommunications carrier eligible to receive subsidies from the Federal
19 Universal Service Fund ("Federal USF"). There are two types of subsidies. There is
20 "high cost" support, which is available when the ETC serves an area where the cost of
21 providing telecommunications service is relatively high, and there is "low income"
22 support, which is available when the ETC serves low income customers. The FCC and
23 state utility commissions like the WUTC have the authority to designate a carrier as an
24 ETC.

1 Q. WHAT IS THE PURPOSE OF THE ETC DESIGNATION?

2 A. The goal of the Federal USF program and the associated ETC designation is to encourage
3 carriers to provide basic telecommunications service to communities that would
4 otherwise not have access to it. This includes rural communities, where most of the high
5 cost support is targeted. These subsidies generally work well, and they will allow RCC
6 to expand its infrastructure out into rural communities where we would not otherwise
7 have done so.

8 Q. IS CELLULAR SERVICE ONE OF THE SERVICES SUPPORTED BY THE
9 FEDERAL UNIVERSAL SERVICE FUND?

10 A. Yes.

11 Q. DID RCC BECOME AN ETC SO THAT IT COULD OBTAIN THIS FEDERAL
12 SUBSIDY?

13 A. Yes. RCC's service areas are rural, where telecommunications costs are relatively high.
14 Since the "high cost" component of the Federal USF program is available to subsidize the
15 cost of providing basic service in rural communities, it made sense for RCC to seek these
16 subsidies. The subsidies will allow RCC to further deploy cellular infrastructure in rural
17 communities.

18 Q. IS RCC PRESENTLY RECEIVING SUPPORT THROUGH THE FEDERAL
19 UNIVERSAL SERVICE FUND?

20 A. No. RCC does not receive support at this time. RCC expects high cost and low income
21 support from the Federal USF by January 2003.

22 Q. DOES RCC CURRENTLY ANY OTHER SUBSIDIES TO SERVE HIGH COST
23 AREAS AND LOW INCOME RESIDENTS?

24 A. No. To the best of RCC's knowledge, no other subsidies are available to ETCs like RCC.

25 Q. WHAT MUST ETCs AGREE TO DO IN EXCHANGE FOR THE FEDERAL USF
26 SUBSIDY?

1 A. ETCs commit to serve customers in the areas where they seek ETC designation. RCC
2 made this commitment when it obtained ETC status.

3 Q. MUST ETCS PROVIDE SERVICE TO EVERYONE WITHIN THEIR SERVICE
4 AREA, REGARDLESS OF COST?

5 A. In our experience, no. Only carriers of last resort must serve customers regardless of
6 cost. ETCs like RCC are not carriers of last resort.

7 Q. WHAT DO YOU MEAN BY A "CARRIER OF LAST RESORT"?

8 A. The carrier of last resort is the carrier that must provide service to a customer upon
9 request. The term developed out of the wireline business. It involves a situation where a
10 potential customer makes a request for service, there is no service available, and a carrier
11 needs to extend its network to serve the customer. The state commissions can then
12 designate a carrier of last resort. That carrier has the obligation to extend its network into
13 the unserved areas to serve the customer, under terms that are set by the WUTC.
14 Incumbent local exchange carriers ("ILECs") are typically the carriers of last resort.

15 Q. BASED ON YOUR UNDERSTANDING, ARE THE SUBSIDIES AVAILABLE TO
16 CARRIERS OF LAST RESORT SUCH AS ILECS DIFFERENT THAN THOSE
17 AVAILABLE TO ETCS?

18 A. Yes. In the state of Washington, my understanding is that ILECs can recoup their capital
19 investment in a line extension case through an adjustment of the terminating access
20 charges that they assess. The WUTC sets the terminating access rates through a rate
21 proceeding. Wireless carriers do not participate in the access charge regime, so they
22 cannot use this mechanism to recoup capital investment. Wireless carriers also do not
23 have access to comparable mechanisms.

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1 **III. THE EXISTING SUBSIDIES ARE INADEQUATE FOR RCC TO RECOVER THE COSTS**
2 **OF SERVING THE TAYLOR LOCATION AND TIMM RANCH**

3 Q. ARE YOU FAMILIAR WITH THE REQUEST FOR TELECOMMUNICATIONS
4 SERVICE BY THE APPLICANTS AT THE TAYLOR LOCATION AND THE TIMM
5 RANCH?

6 A. Yes.

7 Q. HAS RCC ATTEMPTED TO SERVE THE RESIDENCES AT THE TAYLOR
8 LOCATION AND TIMM RANCH?

9 A. Yes. When the WUTC joined RCC as a party in this case, RCC sent engineers to the
10 Timm Ranch and the Taylor Location. These engineers evaluated what would be
11 necessary for RCC to serve these locations. As a result of this evaluation, RCC changed
12 its network to improve coverage. However, RCC could not achieve sufficient signal
13 strength to achieve industry standards for service quality. David Huskey's direct
14 testimony fully describes this process.

15 Q. ARE YOU AWARE OF THE NETWORK CHANGES NECESSARY FOR RCC TO
16 SERVE THE TAYLOR LOCATION AND TIMM RANCH AND THE COST OF
17 THESE CHANGES?

18 A. I am aware of the costs and am generally aware of the network changes, although I am
19 not an engineer. David Huskey's testimony describes these issues.

20 Q. IF THE WUTC REQUIRED RCC TO SERVE THE TIMM RANCH AND TAYLOR
21 LOCATION, COULD RCC RECOVER THE CAPITAL COSTS FOR SERVING
22 THEM?

23 A. No. The Timm Ranch and Taylor Location are too remote and costs would be too high.
24 RCC would never recover the capital investment of two or more towers constructed to
25 serve a handful of residences. RCC could not recover the astronomical costs of service
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1 from the customers, and RCC could not obtain sufficient funding from the Federal USF
2 to cover those costs.

3 Q. IF NEW RESIDENTS MOVED TO THE TAYLOR LOCATION AND TIMM RANCH
4 IN THE FUTURE AND REQUESTED SERVICE, AND SERVING THESE
5 RESIDENTS REQUIRED ADDITIONAL ENGINEERING SOLUTIONS LIKE THE
6 ADDITION OF A NEW TOWER, COULD RCC RECOVER THE COST OF SERVING
7 THESE NEW RESIDENTS?

8 A. Again, no.

9 Q. COULDN'T RCC RECOVER ITS COSTS THROUGH SUBSIDIES LIKE THOSE
10 AVAILABLE TO ILECS?

11 A. No. As I explained above, ILECs have subsidies based on terminating access charges,
12 which RCC cannot access.

13 **IV. IT IS BAD PUBLIC POLICY FOR THE WUTC TO ORDER RCC TO SERVE THE TAYLOR**
14 **LOCATION AND TIMM RANCH, GIVEN THAT RCC CANNOT RECOVER ITS COSTS.**

15 Q. DO YOU THINK IT IS APPROPRIATE FOR THE WUTC TO REQUIRE RCC TO
16 SERVE THE TAYLOR LOCATION AND TIMM RANCH?

17 A. No. The WUTC should not require a wireless carrier like RCC to serve the Taylor
18 Location and Timm Ranch, because RCC cannot access the access-charge-based subsidy
19 is currently available for the land line carriers. RCC has already evaluated serving the
20 Taylor Location and Timm Ranch and determined the limits of what is practically
21 possible. The WUTC should not require RCC to take any further action.

22 Q. HOW WOULD RCC REACT IF THE WUTC ORDERED IT TO SERVE THE
23 TAYLOR LOCATION AND TIMM RANCH?

24 A. RCC would consider withdrawing its ETC designation to prevent this from happening in
25 the future.

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1 Q. IF THE WUTC REQUIRED RCC TO SERVE THE TAYLOR LOCATION AND
2 TIMM RANCH, DO YOU THINK THAT WOULD ENCOURAGE OR DISCOURAGE
3 OTHER COMPANIES FROM BECOMING ETCs?

4 A. I have not discussed this matter with other companies. However, based on my
5 experiences within the industry and my knowledge of RCC's business, I believe that this
6 would discourage carriers from seeking ETC status.

7 Q. WOULD THE WUTC'S ACTIONS BE CONSISTENT WITH THE PUBLIC POLICY
8 BEHIND THE ETC DESIGNATION?

9 A. No. The ETC designation is intended to promote rural telecommunications. In contrast,
10 the WUTC would discourage rural telecommunications by sending the message that
11 ETCs are exposed to costs that they will never recover. In the end, rural Washington
12 would lose investment in wireless infrastructure.

13 Q. WHAT WOULD YOU LIKE THE COMMISSION TO DO IN THIS CASE?

14 First, I would like the Commission to dismiss RCC from this case. RCC has conducted
15 tests to determine whether it can serve the Taylor Residence and Timm Ranch, and it
16 cannot do so with its current network configuration. Second, the Commission should
17 state that it has no authority to classify wireless carriers like RCC as carriers of last
18 resort. Third, the Commission should state that it is inappropriate to join wireless carriers
19 like RCC in line extension proceedings like this case. Fourth, if the Commission forces
20 RCC to serve the Taylor Location and Timm Ranch and thereby holds that ETCs may be
21 carriers as last resort, the Commission should give ETCs access to the same funding
22 mechanism or a comparable funding mechanism available to other carriers who have
23 those carrier of last resort obligations, like ILECs. It is unfair and contrary to the public
24 interest to force RCC to serve the Taylor Location and Timm Ranch without cost
25 reimbursement, when ILECs would receive cost reimbursement for serving these same
26 locations.

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes.

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