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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Hearing

October 27, 2005
Jefferson City, Missouri
Volume 2

Application of USCOC of Greater)
Missouri, LLC for Designation as)
an Eligible Telecommunications) Case No. TO-2005-0384
Carrier Pursuant to the)
Telecommunications Act of 1996.)

MORRIS L. WOODRUFF, Presiding,
SENIOR REGULATORY LAW JUDGE.
ROBERT M. CLAYTON III,
LINWARD "LIN" APPLING,
COMMISSIONER.

REPORTED BY:
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1 P R O C E E D I N G S

2 JUDGE WOODRUFF: Welcome back for day two,
3 and before we begin with the first witness, I believe
4 there was some discussion yesterday about what documents
5 in the various intervenors' testimony could be declared no
6 longer highly confidential. Does anyone have anything to
7 report on that?

8 MR. STEWART: Judge, I believe it's --
9 since we're the first one up with that issue, what I
10 thought I'd do is when we start the process, I was going
11 to have him go through the testimony and consult with --
12 have it on the record so that everybody's clear on what is
13 HC and not.

14 JUDGE WOODRUFF: That will be very helpful.
15 All right.

16 MR. ENGLAND: Excuse me, Judge.

17 JUDGE WOODRUFF: Yes?

18 MR. ENGLAND: I'd also asked the additional
19 time overnight to review the information that was
20 contained in highly confidential Exhibits 22, 23 and 24,
21 that there is an offer still outstanding. We have no
22 objection to their admission.

23 JUDGE WOODRUFF: All right. Well, at this
24 time does anyone else have any objection to 22, 23 and 24?

25 (No response.)

1 JUDGE WOODRUFF: Hearing none, they will
2 all be received into evidence.

3 (EXHIBIT NOS. 22, 23 AND 24 WERE RECEIVED
4 INTO EVIDENCE.)

5 MR. ZOBRIST: Thank you, your Honor.

6 JUDGE WOODRUFF: All right. Then I see
7 Mr. Brown is on the stand. Please raise your right hand.

8 (Witness sworn.)

9 JUDGE WOODRUFF: You may inquire.

10 MR. STEWART: Thank you, your Honor.

11 GLENN H. BROWN testified as follows:

12 DIRECT EXAMINATION BY MR. STEWART:

13 Q. Would you please state your name for the
14 record.

15 A. My name is Glenn H. Brown, and that's Glenn
16 with two Ns.

17 Q. Are you the same Glenn Brown who prepared
18 and caused to be filed what has been marked for purposes
19 of identification as Exhibits 11HC, 12 and 13
20 nonproprietary?

21 A. Yes, sir.

22 Q. And Exhibit 11 is your rebuttal testimony,
23 Exhibit 12 is your surrebuttal testimony, and Exhibit 13
24 would be the nonproprietary version of your rebuttal
25 testimony; is that correct?

1 A. Yes, sir.

2 Q. Turning your attention first to
3 Exhibit 11, your highly confidential rebuttal testimony,
4 and I suppose by implication your Exhibit 13, your
5 nonproprietary version, do you have any changes or
6 corrections you need to make at this time?

7 A. Yes, I do. And I also brought along copies
8 of my schedules, and it would probably be easiest to start
9 there, if people have copies. I do have color copies here
10 with me.

11 Q. Just so the record is clear, you have nine
12 schedules attached to your highly confidential rebuttal
13 and your nonproprietary rebuttal, but they are --
14 obviously the ones that are HC are not contained in
15 Exhibit 13, correct?

16 A. Yes.

17 Q. Okay. Let me do it this way, and I will
18 request the assistance of U.S. Cellular counsel in this so
19 that the record is clear. If we can, let's just go
20 through schedule by schedule and see if U.S. Cellular has
21 an objection to the way they are currently classified or
22 what we need to do on those.

23 Beginning with Schedule 1, GHB Schedule 1,
24 that I believe was not classified as highly confidential?

25 A. That's correct, because all of the

1 information on there is public data. What I have here is
2 the boundaries of the CenturyTel and Spectra rural wire
3 centers, as well as population density data that I got
4 from the Bureau of the Census.

5 Q. How about GHB Schedule 2HC, what is that?
6 And briefly describe it, and then we'll see how we need to
7 classify it.

8 A. GHB 2HC I categorized as HC because it's
9 built off of the data that comes out of Exhibits 22, 23
10 and 24, which my understanding are -- U.S. Cellular is
11 maintaining are highly confidential, and for that reason,
12 the data derived from them I'm classifying out of respect
13 for their designation as highly confidential.

14 MR. STEWART: Your Honor, may I inquire of
15 counsel for U.S. Cellular?

16 JUDGE WOODRUFF: Certainly.

17 MR. STEWART: Do you have a -- does U.S.
18 Cellular wish to continue having Schedule 2 classified as
19 HC?

20 MR. LaFURIA: This is GHB Schedule 2?

21 MR. STEWART: Yes.

22 MR. LaFURIA: No. No objection to it not
23 being classified as HC. I'm sorry. We're happy to have
24 it not be HC from this point forward.

25 BY MR. STEWART:

1 Q. So thus far, Schedule 1 and Schedule 2 have
2 been declas-- are declassified. They are in the public
3 domain.

4 A. So in Schedule 1 and 2 I will cross out on
5 the bottom -- on Schedule 2, excuse me, the highly
6 confidential classification.

7 Q. Turning now to GHB Schedule 3, which has
8 previously been marked as highly confidential, could you
9 tell me what that is and we'll inquire of U.S. Cellular
10 counsel again?

11 A. Yes. Schedule GHB-3 are scanned copies of
12 the maps that are very similar to -- they're not the exact
13 maps, but very similar to Schedules 1 and 2.

14 Q. You mean Exhibits 1 and 2?

15 A. Exhibits 1 and 2. Excuse me. I apologize.
16 Which are not highly confidential. Therefore, I would
17 propose to remove the highly confidential on
18 Schedule GHB-3.

19 MR. STEWART: Counsel?

20 MR. LaFURIA: Without objection.

21 BY MR. STEWART:

22 Q. Moving to Schedule GHB-4, could you explain
23 what that is?

24 A. Schedule GHB-4 is how I imported the data
25 that's on Schedule GHB-3, as well as Exhibits 1 and 2,

1 into my software mapping database. And what I did was I
2 traced within the computer the coverage profiles that are
3 shown essentially on Exhibit 1, and since when I prepared
4 this those were highly confidential, I classified this as
5 highly confidential. Since Exhibit 1 is now in the public
6 record, I would strike the highly confidential on GHB-4.

7 MR. STEWART: Any objection, counsel?

8 MR. LaFURIA: No, no objection.

9 BY MR. STEWART:

10 Q. Moving now to GHB-5.

11 A. This is similar, and this is analogous to
12 Exhibit 3 on the public record, that has indicated the
13 coverage of the current towers and then in a lighter shade
14 of gray, what is depicted in green on Schedule 3, which is
15 the proposed coverage of the 16 new towers. And since
16 Exhibit 3 is on the public record, I would call this -- I
17 would strike highly confidential on GHB-5.

18 MR. STEWART: Objection, Counsel?

19 MR. LaFURIA: No objection.

20 BY MR. STEWART:

21 Q. Moving now to GHB-6.

22 A. GHB-6 is my independent propagation
23 analysis that, in the process of performing this study, I
24 used the data that's in Exhibits 23, 24 and 25.

25 Q. Which would be tower-specific information?

1 A. Tower-specific, location, height, power,
2 things like that. And since that was highly confidential
3 when I received it, I categorize this as highly
4 confidential now. Now, none of that specific data, the
5 height, the power, and that is -- shows up on this chart.
6 What's here is the result of manipulating that data in the
7 propagation software. So I'm open to how U.S. Cellular
8 would choose to have this considered.

9 MR. STEWART: Preference, Counsel?

10 MR. LaFURIA: No objection.

11 MR. STEWART: To declassifying?

12 MR. LaFURIA: To having it be declassified.

13 THE WITNESS: Okay. So I will strike the
14 words highly confidential on Schedule GHB-6.

15 BY MR. STEWART:

16 Q. Moving to GHB-7.

17 A. GHB-7 is the same information on GHB-6, the
18 exception that I took off the highways, which are also
19 shown on GHB-6 because I do in my testimony reference
20 coverage along highways. GHB-7, I took that off, and what
21 I put on GHB-7 is the coverage contours from U.S.
22 Cellular's propagation study, which is on --

23 Q. Exhibits 1 and 2?

24 A. Well, Exhibits -- Exhibit 3, as well as my
25 Schedule GHB-5.

1 Q. Okay.

2 A. And since those are now non-highly
3 confidential, I would strike on GHB-7 the highly
4 confidential. That would be my proposal, subject to U.S.
5 Cellular's concurrence.

6 MR. STEWART: Counsel?

7 MR. LaFURIA: No objection.

8 BY MR. STEWART:

9 Q. Okay.

10 A. Okay. Schedule GHB-8 are calculations I
11 did within my software based upon the now public data
12 concerning coverage, as well as public data concerning
13 population distribution and densities and land area. What
14 I did was I computed within that coverage area what
15 percentage of households were covered, what percentage of
16 land area was covered, and that's what's shown on GHB-8.
17 And since all of the source data for GHB-8 is now
18 non-highly confidential, I would propose that GHB-8 be
19 similarly not highly confidential.

20 MR. LaFURIA: Counsel, U.S. Cellular would
21 like to keep GHB-8 highly confidential and request that
22 treatment be continued.

23 MR. STEWART: It's their call, as far as
24 I'm concerned, your Honor.

25 JUDGE WOODRUFF: That's fine.

1 THE WITNESS: Maybe I wasn't clear. All of
2 the data I used to compute this is now non-highly
3 confidential.

4 BY MR. STEWART:

5 Q. Would this have an impact in terms of the
6 text of your testimony where you've -- that has been
7 classified as HC?

8 A. I believe it would.

9 Q. So it would mean if this stays HC, then
10 when we get into the text of your testimony, there's going
11 to be some portions there where you've referred to this
12 that --

13 A. I would have to check. There are many
14 portions that from the other schedules would now not be
15 highly confidential. I would have to check for a minute
16 to see, because I do talk about coverage statistics.

17 MR. STEWART: Okay. Well, apparently you
18 would propose that it be declassified. U.S. Cellular
19 would propose that it remain highly confidential. Your
20 Honor, I'm kind of at a loss how to go with that.

21 MR. LaFURIA: Your Honor, if I might, let
22 me try to just say, I don't know that we want to have a
23 discussion or need to have a discussion about the ways
24 that GHB-8 or, in fact, this also is the same discussion
25 for 9, can be used or misused by U.S. Cellular's

1 competition in a way that the other data cannot, in terms
2 of the work that a competitor would have to do to get to
3 this data, and whether this data is accurate or inaccurate
4 is immaterial to whether U.S. Cellular would want it to be
5 kept highly confidential. That's where I'm going with the
6 argument.

7 JUDGE WOODRUFF: I can understand that.
8 The others are just maps.

9 MR. LaFURIA: Right. We've put the maps
10 out for everybody. I feel like anybody can look at the
11 maps. That's fine. The data that's been derived from
12 those maps and calculations that have been put on a
13 spreadsheet here are a different level, and it presents an
14 ease to a competitor that that information specifically
15 would not give them. That's why we're holding on these.

16 JUDGE WOODRUFF: I'll allow it to remain
17 highly confidential.

18 THE WITNESS: Could I ask a question
19 just -- and this will help me when we get to my testimony.
20 I understand what Mr. LaFuria is saying, if this gets down
21 to the individual wire center level, and I can appreciate
22 why his client would feel the way they do. Would
23 statistics rolled up at the entire ETC area for coverage,
24 would those be highly confidential or at that gross level
25 in aggregation?

1 MR. STEWART: Aggregation.

2 THE WITNESS: Yeah.

3 MR. LaFURIA: I'm not sure I understand.

4 What's the question? Is there a suggestion that I -- are
5 we talking about something that's in the record?

6 THE WITNESS: Well, maybe it would be
7 easier, Mr. LaFuria, when we get to my testimony where I'm
8 going to make some --

9 BY MR. STEWART:

10 Q. Let's do that. Let's just wait and finish
11 up with the schedules. You just have one more. GHB
12 Schedule 9.

13 A. And given the discussion we just had, it
14 would be treated similarly, I would presume, to GHB-8.

15 MR. STEWART: Is that correct, Counsel?

16 MR. LaFURIA: Yes, that's correct.

17 MR. STEWART: We have just 8 and 9 now, or
18 am I missing one?

19 JUDGE WOODRUFF: 8 and 9 are still highly
20 confidential.

21 MR. STEWART: But the other ones are
22 public. Okay. Now that we've gone through that, I'm
23 wondering if it would be best to -- I think it might be
24 best if during the course of the hearing, rather than try
25 to go through page by page where you have cited something

1 and have designated it as HC, let's just leave it
2 designated HC for now and we can deal with if that would
3 come up at the time as to whether it's classified or not,
4 so that we don't have to clear the hearing room, unless we
5 have to.

6 JUDGE WOODRUFF: That would fine.

7 BY MR. STEWART:

8 Q. With respect to your rebuttal testimony,
9 which the HC version being Exhibit 11, the non-proprietary
10 version being Exhibit 13, do you have any changes or
11 corrections you would like to make at this time?

12 A. I do have several. Just as a global
13 matter, my -- in my testimony I indicate that I'm trained
14 as an engineer. I'm not an English major. And my
15 counsel, who I believe is, has told me that in several
16 places in here I have misused punctuation. For that I'm
17 profoundly sorry, and hopefully people as they read it can
18 make those corrections.

19 Q. I think there were a few missing periods,
20 too.

21 A. Yes. We think of those as decimal points,
22 but that's okay.

23 Q. Any other changes?

24 A. Yeah. On page 5, line 11, I cite 47 USC
25 Section 214(e)2. That should be (e)1.

1 Q. Anything else?

2 A. I had this marked to remove HC, so now I've
3 got to go through and see which ones were actually
4 corrections. I believe there's one other.

5 Yes. On page 30, line 21, I reference the
6 coverage map shown on the October 30 map. That should be
7 August 30.

8 JUDGE WOODRUFF: What line was that?

9 THE WITNESS: That was line 21, your Honor,
10 page 30.

11 JUDGE WOODRUFF: Okay.

12 THE WITNESS: And on page 40, line 8, the
13 sentence that begins, I consist, that should be it
14 consists.

15 BY MR. STEWART:

16 Q. I'm sorry. What line?

17 A. Line 8 on page 40.

18 And on line -- on page 46, line 4, the
19 Missouri Public Service Commission, the S, of course,
20 should be capitalized. And those, I believe, are all the
21 corrections I have.

22 Q. Okay. Turning to your surrebuttal
23 testimony which has been marked for identification as
24 Exhibit No. 12, do you have any changes or corrections to
25 Exhibit No. 12?

1 A. No, sir.

2 Q. With those changes, if I would today ask
3 you the same questions that are contained in your prefiled
4 testimony, would your answers be the same?

5 A. Yes, sir.

6 MR. STEWART: Your Honor, with that, I
7 would move for the admission of Exhibits 11HC, 12 and 13
8 and tender the witness for cross.

9 JUDGE WOODRUFF: All right. Exhibits 11,
10 12 and 13 have been offered into evidence. Are there any
11 objections to their receipt?

12 MR. LaFURIA: No, your Honor.

13 JUDGE WOODRUFF: Hearing no objections,
14 they are received into evidence.

15 (EXHIBIT NOS. 11HC, 12 AND 13 WERE RECEIVED
16 INTO EVIDENCE.)

17 JUDGE WOODRUFF: For cross-examination,
18 we'll begin with the Small Telephone Company Group.

19 MR. ENGLAND: No questions, your Honor.

20 JUDGE WOODRUFF: For SBC?

21 MR. GRYZMALA: No questions, your Honor.

22 JUDGE WOODRUFF: For Staff?

23 MR. POSTON: No questions.

24 JUDGE WOODRUFF: Public Counsel?

25 MR. DANDINO: No questions, your Honor.

1 JUDGE WOODRUFF: U.S. Cellular?

2 MR. LaFURIA: Yes, your Honor.

3 CROSS-EXAMINATION BY MR. LaFURIA:

4 Q. Good morning, Mr. Brown.

5 A. Good morning, Mr. LaFuria.

6 Q. Or should I say here we are again?

7 Mr. Brown, before your current position as a consultant,
8 you spent your career prior to that with U.S. West; is
9 that correct?

10 A. Yes. I retired from U.S. West in 1998.

11 Q. How many years were you with the company?

12 A. Too many. 28.

13 Q. Understood. Have you ever been employed by
14 a wireless carrier?

15 A. Yes, to the extent that U.S. West did have
16 a wireless subsidiary, and I was employed for six years in
17 their Washington, D.C. office, which handled the
18 regulatory affairs for that wireless subsidiary.

19 Q. In your testimony I think you referred to
20 the Joint Board when it developed its policies that led to
21 the adoption of the May 2001 Report and Order, they
22 convened the Rural Task Force, the RTF. Is it fair to say
23 the RTF was a group of industry experts that wrote white
24 papers and met for over two years to help the Joint Board
25 develop its policy positions?

1 A. It was industry, but it also had state
2 regulatory participation. Bill Gillis of the Washington
3 Commission was the chairman. We had consumer
4 representation. Billy Jack Gregg was a member. And we
5 had a diverse industry group, wireless, wireline, ILEC,
6 IXC.

7 Q. How would you -- were you a member of the
8 RTF?

9 A. No. I -- well, yes and no. I was not an
10 official member. I was what they called a groupie.
11 That's what they called us. I attended the meetings, I
12 helped with some of the analysis. I helped with some of
13 the white papers.

14 Q. You provided testimony on behalf of rural
15 ILECs in Minnesota recommending the denial of the petition
16 of Midwest Wireless to be designated as an ETC; is that
17 correct?

18 A. I did.

19 Q. And what was the decision in that case?

20 A. The petition was granted.

21 Q. You also provided testimony on behalf of
22 the ILECs there recommending the denial of the petition of
23 RCC; is that correct?

24 A. I don't believe that one went to hearing,
25 but I did file testimony.

1 Q. Correct. And was that petition also
2 granted?

3 A. It's my understanding it was.

4 Q. More recently, we were together in South
5 Dakota for a hearing for RCC in which you provided
6 testimony recommending the denial of that petition; is
7 that correct?

8 A. Yes.

9 Q. And was that petition granted?

10 A. I believe it was.

11 Q. Up in Oregon U.S. Cellular applied for ETC
12 status. I believe you provided testimony in that
13 proceeding recently within the last year or two?

14 A. It depends on what you call recently
15 because, as I say in my testimony, this has been an
16 evolving standard. That was granted. More recently, I
17 was in Nevada, and that was not, based upon the more
18 rigorous standards that are now in play.

19 Q. Back to Oregon, you did -- was your
20 answer -- I'm sorry. Let me try again.

21 You did submit testimony in the Oregon
22 proceeding?

23 A. I did, yes.

24 Q. And was that petition granted?

25 A. Yes, in an earlier era.

1 Q. Do you understand that wireless consumers
2 contribute to the high cost, the federal high cost fund?

3 A. Yes, because they benefit from the ubiquity
4 of connections to the network at an affordable rate.

5 Q. Do you know how much wireless consumers are
6 contributing annually to the fund?

7 A. I do not.

8 Q. Would a number \$2 billion sound right to
9 you per year?

10 A. Subject to check, I'll accept that. I've
11 not gone in and looked at that specific information.

12 Q. As a part of your testimony and your
13 exhibits, the maps that were introduced today, is it fair
14 to characterize the exhibit that you prepared on your own
15 as an independent RF propagation analysis of U.S.
16 Cellular's current network?

17 A. Exhibit -- or schedules, I should say --

18 Q. I'm sorry. Schedules.

19 A. -- 6 and 7 --

20 Q. Yes.

21 A. -- were based upon my independent RF or
22 propagation analysis, and Schedule 9 were some summary
23 statistics from that.

24 Q. Are you a radio frequency engineer?

25 A. I'm an engineer.

1 Q. Do you have any formal training as an RF
2 engineer?

3 A. I've learned it and I love it.

4 Q. That was a good answer yesterday. Can you
5 name for me any companies that manufacture cellular or PCS
6 transmitting antenna?

7 A. Yagi. That's a receiving antenna.

8 Q. Correct.

9 A. Yeah. I've seen a lot of names.
10 Scientific Atlanta I think does it. Motorola may make
11 some equipment in that space. I'm not an expert in the --
12 in designing the systems. My expertise that I've
13 developed is in taking data around a wireless network and
14 projecting coverage, but I do not do the design work.
15 That's not in my practice.

16 Q. Do you understand that various transmitting
17 antenna, depending on which manufacturer you select and
18 which model you select, have different propagation
19 characteristics?

20 A. Yes, I do. And there was a time when in
21 discovery I would ask for that and it just got -- in the
22 granularity of the studies and the charts that I prepare,
23 I found I was -- I got just as close using a generic
24 antenna profile in my propagation study, so that's what I
25 used in the studies that are on Schedule 6 and 7.

1 Q. So is it fair to say that your studies in
2 Schedules 6 and 7 don't include the specific antenna
3 inputs into your software that -- that is, you used a
4 generic input for all of them; is that correct?

5 A. For the antenna. Now, the proof of the
6 pudding is in how well do my studies compare to the ones
7 your engineers did that presumably have that data that's
8 shown as GHB-7? As I looked at that, I thought they
9 matched up pretty well.

10 Q. Okay. Can you explain how an engineer
11 might select an appropriate transmitting antenna with a
12 particular set of propagation characteristics in order to
13 suit a particular need, such as a customer requesting
14 service?

15 A. That goes beyond my expertise, Mr. LaFuria.
16 As I say, I have learned how to do a propagation analysis
17 to predict coverage, but not from the perspective of an
18 engineer designing a network and ordering equipment and
19 locating cell sites and things like that.

20 Q. What were the assumptions that you put into
21 your software to come up with the answers with regard to
22 antenna selection?

23 A. The software that I use has a generic
24 antenna profile, and that's what I used.

25 Q. Did you reflect in your analysis at all,

1 the propagation analysis, that you did the concept of a
2 link budget?

3 A. No, sir.

4 Q. Can you define link budget?

5 A. Excuse me?

6 Q. Can you define a link budget?

7 A. No, sir.

8 Q. Can you name three types of diversity?

9 A. In the context you're asking, I don't think
10 so.

11 Q. Can you tell me, if you know, how an RF
12 engineer might use different equipment or different
13 characteristics such as diversity to respond to a
14 customer's request for service when that customer is in a
15 fringe area and does not have optimum signal strength at
16 their home?

17 A. Well, the only thing I know, and this is
18 from your testimony, is that if someone is a long ways
19 away and you can't get reasonable coverage with a
20 hand-held set, you might put the Yagi antenna on the roof
21 or put a higher power, maybe rather than a 2/10 or 6/10 of
22 a watt handset, put a 3-watt cellular unit or something
23 like that out there. But other than that, again, my
24 expertise is not in system design. It's just evaluating
25 coverage.

1 Q. And that solution was one of the numbers of
2 the six-step process I think you recall. There were a
3 number of steps in there. I was speaking of a different
4 step, which was the step dealing with adjustments that can
5 be made at the cell site level.

6 A. Right. Fine tuning, and there are -- I'm
7 familiar enough to know that you can take the radio energy
8 and focus it in a certain direction and not send some out
9 to the sides and send it this way and perhaps get a
10 stronger signal. Exactly how an engineer would do that, I
11 don't know, but I know that that is done.

12 Q. Can you describe specifically any other
13 ways that an engineer would use those kind of tools, such
14 as using diversity, for example, to achieve this, other
15 than simply focusing propagation?

16 A. Well, you might turn up the power on the
17 transmitter. You might look for a higher hill to build
18 the tower on. There's probably lots of variables. Or add
19 height to the tower.

20 Q. Can you tell me how much your client in
21 this proceeding, CenturyTel, how much they paid out in
22 dividends this year?

23 A. No.

24 MR. STEWART: Never mind.

25 BY MR. LaFURIA:

1 Q. Subject to check, would you accept roughly
2 \$31 million, based on my informal research this morning?

3 MR. STEWART: Objection, irrelevant.

4 JUDGE WOODRUFF: I've heard an objection
5 here for relevance. What is the relevance?

6 MR. LaFURIA: I would like -- to tell you
7 where I'm going with this, I would like to follow up and
8 find out, with that level of support that they have to
9 spin out dividends, are they -- do they now have -- have
10 they ever filed a five-year plan for their use of support
11 here in Missouri.

12 JUDGE WOODRUFF: Which company are you
13 asking about?

14 MR. LaFURIA: CenturyTel. That's his
15 client.

16 JUDGE WOODRUFF: I'll allow it.

17 BY MR. LaFURIA:

18 Q. Do you need it read back?

19 A. The question was, did I know how much
20 dividend CenturyTel --

21 Q. Subject to check, would you accept that
22 CenturyTel's dividending out \$31 million this year?

23 A. Again, I have no way of knowing. I don't
24 know what dividends U.S. Cellular paid -- pays. I don't
25 know what they paid to get their naming rights on Kaminski

1 Park. I don't know a lot of things.

2 Q. Well, would it surprise you to know U.S.
3 Cellular doesn't pay a dividend?

4 A. If you tell me, I'd believe it.

5 Q. Subject to check, no dividend?

6 A. Subject to check.

7 Q. All right. My follow-up question, though,
8 which I really want to get to was, has CenturyTel ever
9 filed a five-year plan for their use of support here in
10 Missouri?

11 A. No. And let me tell you why they haven't,
12 and that's because CenturyTel only gets support after they
13 have invested in high-cost areas; whereas, a wireless
14 carrier gets support based on what CenturyTel gets in the
15 five-year plan, so the Commission can know what that \$8
16 million a year or whatever it turns out to be is buying.
17 So it's a fundamentally different equation.

18 One gets support as a result of having made
19 an investment. The other gets the money and then is
20 expected to do something with it, and the five-year plan
21 says, here's what we're going to do with it. So that
22 would be the difference I would perceive.

23 Q. And do you understand that a competitive
24 ETC cannot get support unless it gets a customer? Do you
25 understand that concept?

1 A. Yeah. And I understand from the testimony
2 you've got over 100,000 customers in the state of Missouri
3 that on day one, without investing a nickel, you're going
4 to get support for.

5 Q. Okay. 100,000 customers were achieved
6 without investing a nickel, that's your testimony?

7 A. 100,000 presumably low-cost customers.
8 Mr. Wood's testimony said that you did what any reasonable
9 business would do, you invested where you expected a
10 reasonable return on your money. So that investment was
11 made with no expectation of support.

12 Now, on day one after you get ETC status,
13 all 100,000 of those customers give you support that
14 you're supposed to -- at least you've told the Commission
15 you're going to invest in high-cost areas. The five-year
16 plan is just where's it going to go, what are you going to
17 do with it?

18 Q. I'm following your theory here, but I want
19 to know if it's your testimony that on day one the company
20 gets high-cost support without ever having invested in the
21 network. Let's start there.

22 A. Without ever having made the high-cost
23 rural infrastructure investments that the fund is designed
24 to support.

25 Q. That's your testimony?

1 A. That is my testimony.

2 Q. Okay. And in the areas that you're
3 speaking of where the company would get high-cost support
4 on day one, are those areas high-cost areas for the ILECs?

5 A. In all probability, not because you build
6 your towers -- and this is what I showed on GHB-2, which
7 is now public. Your towers -- and again, it makes sense
8 that you would put them in the population clusters and not
9 out where the population is very sparse. That's what
10 universal service is designed to do, to get coverage out
11 to those people. And, you know, as the map, Exhibits 1
12 and 2 show, there's an awful lot of the ETC area you don't
13 serve now.

14 Q. We're in agreement, and I'll put this down
15 just because with the Commissioners here today I want to
16 make sure they get an opportunity to see the map. We're
17 in agreement there's plenty of work to be done to get
18 service out to these areas, but my question is very
19 specific and focused. I'd like you to just try and just
20 give me a focused answer.

21 If there is an area that the company would
22 get high-cost support on day one, who has designated that
23 area as a high-cost area?

24 A. It's high cost because of the way people
25 are located. It's high cost because of the topography of

1 the area. It's high cost because of population density.

2 Q. Exactly.

3 A. No one's designated it that way. That's
4 just --

5 Q. Who decides that the ILEC gets support in
6 that area?

7 A. The -- well, cost studies are given to
8 NECA. NECA passes data on to USAC, and USAC provides
9 high-cost support based on how those costs compare to
10 certain benchmarks they've established.

11 Q. So through that process, a particular area,
12 we can pick any area -- let's just pick this spot
13 (indicating). I don't have any idea -- I don't know
14 Missouri well at all. Here's a spot where U.S. Cellular
15 has constructed facilities. U.S. Cellular doesn't
16 designate that area as high cost. That's in the system
17 you just mentioned, correct?

18 A. Well, U.S. Cellular made a business
19 decision at some point in time that there were sufficient
20 customers there to justify the investment.

21 Q. All agreed upon. We've agreed on all your
22 premises there. They've made that call. What I'm just
23 trying to get at is the answer to this specific question.
24 It's not U.S. Cellular that designated that as high cost
25 under the federal system, correct?

1 A. I'm not sure I'm following you,
2 Mr. LaFuria.

3 Q. You just testified that there is high-cost
4 support available. Let's just assume for the purpose of
5 this that there is high-cost support available right there
6 where U.S. Cellular has already built.

7 A. Okay.

8 Q. Who decided that there's money available in
9 that area?

10 A. Well, let me try to explain again. Based
11 upon whatever study area that is in, the telephone company
12 that serves that study area -- and it might be that one
13 wire center, it could be a number of wire centers -- goes
14 to its actual books of accounting, sends cost studies to
15 NECA, the National Exchange Carrier Association. They
16 perform -- they review that and audit it, and then they
17 compute where does that sit with respect to the benchmark.
18 That information is passed to USAC, the Universal Service
19 Administrative Company, that then pays out based upon the
20 cost for that study area.

21 Q. So then would it be fair to categorize your
22 testimony that U.S. Cellular has absolutely nothing to do
23 with how or whether that particular spot on the map
24 provides high-cost support to any carrier?

25 A. I think that's an accurate statement.

1 Q. Thank you. That's what I was trying to get
2 to. If that's a low-cost area, if it is a low-cost area
3 for ILECs, do you think a competitor should be rewarded
4 when they go in and build facilities in that area with a
5 subsidy?

6 A. Well, as I say in my testimony, I think the
7 current system where the competitor gets the support based
8 upon the ILEC's cost is nuts. I think we're finding, you
9 know, a lot of the reason we're here is because you've got
10 a very inefficient distribution system of that support,
11 and if we could find a way to target the support better, I
12 think we'd all be better off. And frankly, within the
13 current system, the five-year plan might be about as good
14 as we can get in seeing where that's going.

15 Q. You suggested that it would be better if we
16 could target the support. I actually agree with you. And
17 my question is, isn't there a mechanism right now in the
18 FCC's rules to permit ILECs to more accurately target that
19 support out of that green area and out to these white
20 areas where it might be more rural? Is there a mechanism
21 in the FCC's rules that allows that?

22 A. There is, but given the reality of the
23 situation, it's proven to be very ineffective in doing
24 that. You're talking about disaggregation.

25 Q. I certainly am, and haven't several rural

1 ILECs here in the state done that?

2 A. My client has done that, and what my client
3 did -- or maybe you want to ask me.

4 Q. Well, what I want to ask is -- and I'm sure
5 your counsel will follow up on redirect. What your client
6 did effectively is what you just suggested. If they did
7 it properly, let's assume in theory what they did when
8 they disaggregated was they -- and correct me if I'm
9 wrong. I don't want to characterize this wrong. What
10 they did is they moved their support out of the low-cost
11 areas to the more high-cost areas; is that fair to say?

12 A. I would say that's wrong.

13 Q. Really?

14 A. And I can be critical of the study that
15 underlied their disaggregation because I did it for them.
16 What CenturyTel did in the Spectra study area was define
17 two zones, and each -- Zone 1 is wire centers that happen
18 to be at the low end of the cost curve and Zone 2 is wire
19 centers that happen to be at the high end of the cost
20 curve.

21 Now, in constructing a telephone network,
22 it's customer density that determines cost, and every wire
23 center generally has a lot of area and has a town in the
24 middle of it. And in that town is low cost. That's
25 probably where that tower you were pointing to is, in a

1 town. And that makes all the sense in the world.

2 Q. Right.

3 A. Where the high cost is is in the periphery
4 of that wire center. So that's why I say that, you know,
5 that may be a wire center that's in Zone 1, but out at the
6 periphery of that wire center, it could be very high cost.
7 So again, because of the competitive carrier getting
8 support at the same level as the ILEC, it's just an
9 inherently inefficient distribution system.

10 Q. Would I be incorrect in characterizing the
11 FCC's rules as permitting an ILEC to target its support
12 into an unlimited number of subzones, should it so choose?

13 A. I think there were some limits and there
14 were three paths you could take. There were a lot of
15 permutations and I did quite a few disaggregation studies.
16 The basic problem is this, and I cover this in my
17 testimony.

18 MR. STEWART: I'm sorry, your Honor. If I
19 could just get my questions answered, we'll move along a
20 lot more quickly.

21 THE WITNESS: I'm sorry. I apologize.

22 JUDGE WOODRUFF: Confine your responses to
23 the questions.

24 THE WITNESS: I was trying to -- I'll let
25 him ask the questions, sir.

1 JUDGE WOODRUFF: Thank you.

2 BY MR. STEWART:

3 Q. Are you testifying that you don't know the
4 FCC's rules permit an unlimited number of cost zones to be
5 created so that an ILEC like CenturyTel could very
6 accurately target its support out to the most rural areas
7 here?

8 A. There was a limitation on the Path 3
9 disaggregation of how many zones you could disaggregate
10 to, and it was two, I believe. If you -- you could do
11 more, but you'd have to do a Path 2 disaggregation, which
12 means you'd have to come to this Commission with cost
13 studies to support it and -- I'll stop there.

14 Q. Would it surprise you to learn that the
15 reason for that Path 2 disaggregation coming to this
16 Commission was to ensure that when a carrier disaggregated
17 into an unlimited number of cost zones and created a very
18 accurate and detailed portrayal, they wanted to be sure
19 that state commissions had an opportunity to ensure that
20 there was no anti-competitive or other misbehavior going
21 on in their study and they wanted to get the state to
22 approve it?

23 A. You know, I'm going to disagree with you to
24 this extent. The fundamental problem is the cost
25 structure of a wireless company is different from the cost

1 structure of a wireline company.

2 Q. I'm not speaking of that problem. I'm only
3 speaking of --

4 A. Well, I'm answering your question now.

5 Q. Okay.

6 A. And that was why, you know, it was not an
7 efficient way to disaggregate support, and why very few
8 companies went to that level.

9 Q. Is it fair to say that the rural ILECs
10 supported disaggregation in the days -- in the years
11 leading up to the FCC's 2001 order that created these
12 rules?

13 A. Could you -- I didn't follow the whole
14 question.

15 Q. Is it fair to say that rural ILECs -- it's
16 actually one of the few things I think that the parties
17 agreed upon. The rural ILECs and the competitors all
18 agreed in the years leading up to the 2001 order that
19 adopted these disaggregation rules, they agreed that
20 disaggregation was a good thing for both incumbents and
21 competitors?

22 A. It was discussed at the Rural Task Force.
23 I recall that. The problem is theory and the reality
24 wound up clashing.

25 Q. I'm finding -- you can get there on

1 redirect I'm certain. I'm just trying to probe that one
2 question.

3 A. I don't think the ILECs ever saw
4 disaggregation as a panacea or even something that, given
5 what I've tried to explain, really accomplished a whole
6 lot.

7 Q. It's your testimony that the ILECs did not
8 support disaggregation and lead up to that order that
9 adopted it?

10 A. I can't recall an ILEC coming in and
11 saying, we must have disaggregation. If I'm wrong, I'm
12 wrong, but --

13 Q. You were on the RTF. I mean, you would
14 know, I would think.

15 A. I know it was discussed, and I know from
16 experience, as I described, that it's a very, you know,
17 difficult issue, you know. What can be a high-cost area
18 for an ILEC can be a low-cost area for a wireless company.
19 For example, if you've got an interstate highway going
20 through one corner of a wire center, that's low cost for
21 the wireless, because you've got a concentration of
22 customers, high cost for the ILEC, because it's a long way
23 from the wire center.

24 Q. Are we in agreement on this, though --
25 going back to this one theoretical spot here on the map

1 that we can all look at. Can we agree on this: If that's
2 a low-cost area, that a competitor who comes into that
3 area and provides service probably doesn't either need or
4 deserve the reward of a subsidy?

5 A. Well, but under the current rules, they get
6 it.

7 Q. Correct. And why do they get it,
8 Mr. Brown?

9 A. They get it because of a fundamental
10 mismatch that is exacerbated by the fact that you give the
11 wireless carriers support based on the wireline costs,
12 which is why the Commission as a stopgap has said, you
13 need to have a five-year plan, so you show how you're
14 going to take that and put it into areas that would be
15 high cost for the wireless carrier. That's the fix that
16 the ETC designation order tried to put into place.

17 Q. Okay. So we're not in agreement? I mean,
18 are we in agreement or not? I just want to get your
19 answer. Are we in agreement that when a competitor comes
20 into that area, if it's low cost, they shouldn't get a
21 subsidy? Can we agree on that?

22 A. Under the current rules, they do. Now, I'd
23 be delighted to talk to you about how we could change the
24 rules.

25 MR. LaFURIA: Your Honor, if I could just

1 get a yes or no. If he can't agree, he can't agree.

2 THE WITNESS: We cannot agree is probably
3 fair.

4 JUDGE WOODRUFF: Thank you.

5 BY MR. LaFURIA:

6 Q. So your testimony, then, is that when a
7 competitor comes into that area and it's low cost, they
8 should get the reward of a subsidy when they compete?

9 A. My testimony -- I put in a footnote, I wish
10 the rules were different. And as I say, if you'd like to
11 explore with me how I'd recommend they be changed, I'd be
12 delighted to do that, but we don't do that.

13 Q. That's not what this proceeding --

14 A. Under the current rules, they do, and we're
15 all working within the four corners of those rules in this
16 record.

17 MR. LaFURIA: Your Honor, I apologize. I
18 don't know if I got an answer to my question. I don't
19 mean to be -- let me try it again.

20 BY MR. LaFURIA:

21 Q. So your testimony, then, is that a
22 competitor who comes into this area should get a subsidy
23 if it's low cost?

24 A. You're asking --

25 Q. Which is it?

1 A. -- me to make a -- what kind of a judgment
2 is it when you make a value judgment? All I know is that
3 the current rules say they do, and until those rules are
4 changed, that's the way it is. So when they should or
5 shouldn't is irrelevant to, I think, what we're here
6 talking about.

7 Q. Do you think that it's an acceptable use of
8 federal high-cost support for a carrier who is a -- an
9 average schedule company, let's use as an example, to
10 borrow funds from the Rural Utility Service at a
11 subsidized rate, a low rate RUS loan, use that money to
12 buy equipment and invest in their network, report those
13 expenditures to NECA, USAC, the body that does the
14 calculations, and switch over to become a cost company,
15 and then increase their support with those investments and
16 then take that increased support and pay back their RUS
17 loan? Do you think that's an appropriate use of high-cost
18 support?

19 MR. ENGLAND: I'm going to object to that
20 question. It assumes a lot of facts that aren't in
21 evidence.

22 JUDGE WOODRUFF: I'm going to sustain the
23 objection as far as relevance as well.

24 MR. LaFURIA: Your Honor, that's all I
25 have. Thank you.

1 JUDGE WOODRUFF: All right. Thank you.
2 We'll come up for questions from the Bench. Do you have
3 any questions?

4 QUESTIONS BY COMMISSIONER APPLING:

5 Q. Mr. Brown, how are you doing?

6 A. I'm very good, Commissioner. How are you
7 today?

8 Q. I'm great. I've got just a couple of
9 questions, and hopefully we can narrow this down. Once
10 upon a time I worked in the Pentagon, and the general used
11 to tell me, if you can't get your point over in about five
12 or ten minutes, we're going to put you at the back of the
13 line. Okay. But anyway, good to have you here this
14 morning, and I did read your rebuttal testimony and all
15 that yesterday and tried to get back through it again this
16 morning.

17 Two questions. The first one is, as a
18 witness for CenturyTel, what do you want Lin Appling to
19 take away from this hearing this morning? Something that
20 I can bite into when you leave and I don't see your face
21 anymore and you're gone and I have to make a decision on
22 this case here, which is coming up, what do you want me to
23 take away this morning? In a very short period of time,
24 tell me what that is.

25 A. Okay. The Universal Service Fund is a

1 finite and limited resource. I think your job ought to be
2 to use it for the maximum benefit for Missouri consumers.
3 They after all pay into it. They're the ones that would
4 get the benefit from it. I've said in my testimony, I'm
5 not opposed per se to providing support to wireless
6 carriers, as long as what they're supposed to do with it
7 is, you know, known and accomplishes a good public good.

8 For example, in my testimony I say, you
9 know, coverage along roads, that's pretty valuable. So
10 what you ought to look at is, within that area, what
11 percentage of the roads are covered, what aren't, and in
12 return for the public money that U.S. Cellular is asking
13 for, what are they going to give back to the public?

14 Now, I think what the FCC has done within
15 the ETC designation order is set up a framework for you to
16 work with. First of all, they said there are some minimum
17 criteria. One of those is this five-year plan you've
18 heard about. You know, rather than give them the money
19 and trust them to invest it where you'd like it, what the
20 five-year plan is, it's kind of a show-me thing. They
21 show you what they're going to do with the money. You can
22 then evaluate that and say, does that -- is that worth in
23 terms of the benefit it would bring to Missouri customers
24 what it's going to cost in terms of spending that finite
25 resource?

1 So I think your Staff and the OPC have also
2 both recommended, the framework in the ETC designation
3 order sets up a pretty good way within again the four
4 corners of the current rules. Could the rules be
5 improved? I think they could. But within those four
6 corners you've got a framework. I think you should
7 establish that. You should apply it uniformly, rigorously
8 and fairly.

9 And if a party comes in and has not made
10 the appropriate up-front showings of what they propose to
11 do with the money, I would suggest you might want to ask
12 them to do that before you give them the money, rather
13 than after.

14 Q. In this business I hear a lot of things,
15 and I haven't been with the Public Service Commission for
16 more than a year and a half, but one thing that's very
17 important to me is playing by the rules. And so my next
18 and final question, that if by chance we get far enough
19 down the road that I vote yes on this ETC, in your mind,
20 tell me if we don't do it, who's going to get hurt here?

21 A. Well, the -- what I always advise any group
22 I talk to about this is, if you keep your eye on the rural
23 consumer, you're going to wind up making the right
24 decision. The fund is growing at a dramatic rate. I've
25 got a chart in my testimony that shows, you know, a rocket

1 trajectory upward.

2 And the real question I'll ask, and I've
3 gotten this even from private conversations I've had with
4 members of the Joint Board, is, what did the public get
5 for that? Where's the bang for the buck?

6 I've had that said to me by people sitting
7 in positions similar to yours. And I think what the FCC
8 has said in its most recent decisions is you need some
9 rigor in that process. You, you know, as the guardian of
10 the public interest, need to know, what's the money going
11 to be used for? And then you can make a decision, is that
12 a wise allocation of a scarce public resource, because
13 it's not an unlimited pot of money.

14 There are a lot of companies in rural
15 Missouri that have invested money to take high quality
16 service out to their customers, and many of them -- I
17 don't know. I can't give you specific facts, but many
18 have borrowed money from RUS or other people on the
19 promise that there would be Universal Service Funding to
20 help pay for that. And one of the things I've observed
21 before happened in 1993 when the fund was growing at a
22 high rate, the Commission capped it or changed the
23 allocation.

24 And unless we do something to get this
25 growth trajectory into a more manageable path and we have

1 the assurance that you are indeed getting the bang for the
2 buck from the money, you could leave some companies, you
3 know, in a position where it becomes more difficult to
4 serve the rural consumers. And I'm not talking about the
5 ones in the town. I'm talking about of the ones way out
6 at the end of the system. Those are the ones that will
7 feel the pain first.

8 So I think you need to have -- it sounds
9 simple, and I know it's more than that, but if you can
10 think of it in the cost/benefit context, and if the
11 benefit to the rural consumer is what that metric is, then
12 I think you'll come out at the right place.

13 Q. I think where I sit at and with the other
14 five Commissioners, we continuously talk and keep our eyes
15 on the economic development of this state, and what I
16 heard yesterday was very interesting, jobs, and I think we
17 have to keep our eyes on that. There was a lot of -- in
18 your testimony, I read a lot about public interest.

19 As the application is written today and as
20 we are reviewing it at this present time, do you or do you
21 not think that the way it's written now that it's in the
22 public interest for the state of Missouri?

23 A. I don't think the record as it stands
24 today, sir, has enough information for you to make the
25 kind of decision you need to make.

1 Q. Why?

2 A. Because what they have committed to do is
3 build 18 towers. If you look at Exhibit 3 up there,
4 there's an awful lot of the white area. The Commission
5 has said in the ETC designation order and in the Virginia
6 Cellular order that they have to show you their capability
7 and commitment to serve throughout that area and to
8 improve the signal quality in every wire center that
9 they're asking for ETC designation. They've not done
10 that.

11 That's why -- and I accept the fact that
12 it's probably more than an 18-month process to get that
13 done. I think that's why they came up with the five-year
14 build-out plan, so that they can show you, here is how
15 we're going to do what the -- you know, the FCC has said,
16 and I'll go even a step higher, the Telecom Act says, that
17 they have to offer the services throughout the service
18 area.

19 Well, the service area is traced on there
20 by a red line. There is a lot of white up there, and with
21 due respect, I don't think they've shown you enough that
22 you can make the kind of decision that the FCC has laid
23 out in their framework or that just in the straight
24 cost/benefit public interest determination I think you
25 need to make for the consumers you represent.

1 Q. I know you're here for CenturyTel, but is
2 there anything in your thought process that you can
3 mention here this morning that would be helpful so that we
4 can move this company forward?

5 A. Move U.S. Cellular forward? I'd say go
6 back and do it right.

7 COMMISSIONER APPLING: Thank you.

8 JUDGE WOODRUFF: Commissioner Clayton?

9 QUESTIONS BY COMMISSIONER CLAYTON:

10 Q. Mr. Brown, I changed my mind. I have a few
11 questions. First of all, I wanted to ask you, are you
12 knowledgeable about what states have authorized or granted
13 ETC status for wireless providers throughout the country?

14 A. Yes, Commissioner Clayton, there -- a
15 number of states have given them, and as I tried to
16 describe --

17 Q. I understand. So are you aware of what
18 other states have done regarding ETC status for wireless
19 providers?

20 A. Yes, sir.

21 Q. Okay. Are you knowledgeable about what has
22 gone on in all 50 states in the United States?

23 A. No, sir.

24 Q. You're not. Okay. How many states have
25 granted wireless carriers ETC status as of today?

1 A. Off the top of my head, I can't give you --
2 I could sub -- I could do that and get back to you with
3 a --

4 Q. Could you give me an approximate?

5 A. -- late-filed exhibit, certainly.

6 Q. Could you give me an approximation?

7 A. Yes, sir.

8 Q. Today, could you give me an approximation?

9 A. Oh, today. Oh, boy.

10 Q. Do you know how many states have denied ETC
11 status for wireless carriers?

12 A. A number have. Two in cases I've been
13 involved in recently.

14 Q. And what states were those?

15 A. Nevada and South Carolina.

16 Q. So no -- in Nevada and South Carolina, no
17 wireless carrier has been designated as an ETC?

18 A. Well, take the case of Nevada. To say no
19 one has been designated would not be correct. There was
20 one carrier designated. The case that I was in there
21 within the past year happened after the Virginia Cellular
22 decision but before the ETC designation order to where the
23 FCC had laid out more rigorous criteria.

24 In the early cases the metric was, is
25 this -- will this promote competition, and that resulted

1 in -- and this is outlined in my testimony -- a lot of
2 early decisions. And as the fund started to grow and
3 people started to say, what are we getting for this,
4 that's what led to the Virginia Cellular decision and the
5 most recent FCC Order, which tightened up the criteria and
6 put --

7 Q. I understand. I'm obviously not asking my
8 questions very well because it's not really answering my
9 question that I intended. How many states have denied ETC
10 status for all wireless carriers?

11 A. I'm not aware of any that's denied it for
12 all.

13 Q. Okay. Good. So zero to the best of your
14 knowledge?

15 A. To the -- well, in South Carolina the case
16 that I was in there was the first one, but generally
17 nobody has put a blanket denial.

18 Q. Well, are there any states that have no
19 wireless carriers as eligible telecommunications carriers
20 right now?

21 A. I believe there are.

22 Q. There are some states?

23 A. I believe.

24 Q. Do you have any idea how many?

25 A. Again, I'd be happy to do that research and

1 get back to you.

2 Q. So you don't know today?

3 A. I don't know today.

4 Q. Okay.

5 A. I know there are some. I don't know how
6 many.

7 Q. Okay. Are you aware of how many states
8 have granted ETC status for wireless carriers without any
9 strings attached, without any requirements of build-out
10 plans, whether it be before or after the recent order that
11 you've referred to?

12 A. I would have to do some research,
13 Commissioner, to answer that question.

14 Q. Okay. Well, when I asked the question
15 whether you were knowledgeable about whether wireless
16 carriers have been designated ETC throughout the
17 50 states, you said that you were knowledgeable in that.

18 A. I track that. I read the trade press on
19 it. But if your question is how many or what carriers,
20 that's where I get -- I'm just looking for an opportunity
21 to --

22 Q. You just don't know today, and that's fine.
23 That's okay.

24 A. Off the top of my head.

25 Q. I don't mind if you say, I don't know.

1 That's okay. We can move on and I can ask somebody else.

2 The next question is, are there any states
3 that you can look at as where the state has granted ETC
4 status for a wireless carrier and have attached certain
5 strings to that grant that you would agree with that would
6 change your testimony here today?

7 What state would you look to as an example,
8 a good example of treating this issue that would allow for
9 you to agree with ETC status being designated for a
10 wireless carrier? Now, I will agree that's an awful
11 question I just asked.

12 A. Thank you.

13 Q. If you don't know, that's okay.

14 A. I'll do my best with it.

15 Q. Okay.

16 A. I do know that even from the early days
17 when it was a pretty simple test, will this help
18 competition or not, many states put service quality
19 requirements in. And in some states companies entered
20 into stipulations that they would do certain things, and
21 in some cases companies have complied with that. Other
22 cases, one in particular I'm aware of, they didn't, and
23 the commission is now in the process of rescinding.

24 Q. What state was that?

25 A. Colorado.

1 Q. And was that a service quality agreement?

2 A. It was a commitment that the carrier had
3 made. Western Wireless was the carrier, and in a
4 stipulation that they did not live up to, and --

5 Q. Do you know what that stipulation was?

6 A. Yeah. It was that they would offer a --
7 called a basic universal service offering for \$14.99 using
8 a fixed wireless telephone set. This is also -- and I was
9 involved in that case. There's a case in Kansas also
10 involving Western Wireless that I'm not as familiar with.

11 What I'm seeing now, although remember the
12 latest guidelines came out in March, but if I were to say
13 what state, what would it take for a state to in my mind
14 have done the right thing, it would be to require of
15 the --

16 Q. Wait a minute. Wait a minute. Wait a
17 minute.

18 A. Okay.

19 Q. I asked you about specific states.

20 A. Okay.

21 Q. Now, what are you saying right now? Are
22 you giving me the utopian state, or are you giving me a
23 specific state example?

24 A. I gave you several examples of requirements
25 that have been placed on.

1 Q. Okay. And then what were you doing?

2 A. Then what I was trying to think of is, have
3 any states issued orders after the most recent set of
4 federal guidelines that have come out?

5 Q. Okay.

6 A. I don't recall any.

7 Q. That's fine. So you're not aware of
8 whether any states have come out since the recent order?

9 A. I think the most recent one, no. The
10 Virginia Cellular order, yes. And this would be one of
11 those states. Nevada would be one. South Carolina would
12 be one.

13 Q. Those are denials. Are those -- are those
14 with strings attached to granting the ETC status?

15 A. The three I gave you were denials. I'm not
16 aware specifically of cases that have been approved under
17 those. I'm sure there are some, but I don't have specific
18 state knowledge at this point.

19 Q. Where an ETC has been granted with strings
20 attached or without strings attached since -- now you've
21 got me confused.

22 A. Well, there are two data points here. One
23 is March of this year when the latest FCC order came out,
24 and I'm not aware of any state decision since then. There
25 may have been some, and if I find any, I'd be happy to

1 share that.

2 Q. Well, what state would you look to as being
3 a good example of a state that, first of all, has granted
4 ETC status for a wireless company where you think they set
5 a sufficient level of standards to afford ETC status?
6 What state would you look to as your -- is doing a good
7 job, in your opinion?

8 A. From my personal knowledge, and that's
9 about all I can operate from, Nevada did a good job.

10 Q. In denying it?

11 A. In denying.

12 Q. I want to know where they're granting or
13 where they granted where they had a service quality
14 perhaps or required a commitment to offer a basic offering
15 or set out a more detailed 10 or 15-year plan, or I don't
16 know what examples are out there. Can you give me an
17 example of where you can say they granted ETC status and
18 they did a good job? Can you give me an example as a
19 state?

20 A. Given that the latest standards came out in
21 March of this year, I can't cite one off the top of my
22 head.

23 Q. Okay.

24 A. Okay.

25 Q. How about prior to that order coming out in

1 March, could you point to a state that you thought did a
2 good job just on your -- under the guidance of -- is it
3 the Virginia Highland case?

4 A. The Virginia Cellular.

5 Q. Virginia Cellular. Not Virginia Highland?

6 A. There were two. There were Virginia
7 Cellular and Highland Cellular.

8 Q. But they were both in Virginia?

9 A. Yes, they were.

10 Q. Okay. Under that standard, can you look to
11 any state where you say, but they granted ETC status to a
12 wireless company and you thought they set a sufficient
13 amount of standards and required commitments to go with
14 that grant?

15 A. Off the top of my head right now, no.

16 Q. How about prior to those decisions, can you
17 give me an example of any state that has granted one where
18 you thought that they had provided a sufficient level of
19 commitment for granting the ETC status?

20 A. No, because prior to that you didn't have
21 the right tool.

22 Q. So no state who has granted ETC status has
23 done it sufficiently or in a way to protect rural
24 consumers?

25 A. Not under what I think are now some more

1 realistic guidelines, no.

2 Q. Okay. I think I could have gotten to that
3 answer a long time ago, but I appreciate that.

4 Would you restate what commitment should
5 the applicant -- what standards should the applicant be
6 required to meet in getting ETC status? You suggested
7 service quality. Is that one?

8 A. Service quality is certainly an important
9 one.

10 Q. What else?

11 A. The demonstration through the five-year
12 plan that they will deliver service throughout the ETC
13 service area and improve signal coverage in every wire
14 center for which they request ETC designation. There are
15 others, emergency disaster recovery and survival. What
16 are some of the others? That if the incumbent should
17 relinquish ETC status, that they be prepared to serve as
18 a -- provide equal access. I think OPC in this case
19 suggested that they be able to serve as a carrier of last
20 resort, and I think that would make a lot of sense.

21 COMMISSIONER CLAYTON: I don't think I have
22 any other questions. Thanks for your patience.

23 THE WITNESS: Thank you, Commissioner.

24 JUDGE WOODRUFF: I have no questions, so
25 we'll go for recross. Small Telephone Group?

1 MR. ENGLAND: No questions, thank you.

2 JUDGE WOODRUFF: SBC?

3 MR. GRYZMALA: No, your Honor.

4 JUDGE WOODRUFF: Staff?

5 MR. POSTON: No questions.

6 JUDGE WOODRUFF: Public Counsel?

7 MR. DANDINO: No questions, your Honor.

8 JUDGE WOODRUFF: U.S. Cellular?

9 MR. LaFURIA: No questions, your Honor.

10 JUDGE WOODRUFF: Then redirect?

11 MR. STEWART: Thank you, your Honor.

12 REDIRECT EXAMINATION BY MR. STEWART:

13 Q. I think I'm going to start from back and go
14 forward. Commissioner Clayton had asked you about states
15 who had granted ETC status with what he referred to as
16 strings attached. And in your response you indicated that
17 Public Counsel in this case had suggested certain strings
18 which might be imposed in this proceeding and possibly in
19 future proceedings.

20 What is your position on the criteria or
21 strings that Public Counsel has proposed in this case?

22 A. Well, there were several, and I could look
23 in my surrebuttal testimony because I think I go through
24 each of them. But what Ms. Meisenheimer had -- my
25 understanding, my recollection without refreshing it, is

1 that many of her comments were around service quality,
2 around clarifying the Life Line offering. I believe she
3 also indicated that the carriers should be ready to take
4 over and serve as the carrier of last resort. And I think
5 those are all things that this Commission certainly can
6 and should take into consideration.

7 Q. So you would recommend to the Commission
8 that they look favorably on the conditions that have been
9 required by Public Counsel and I guess even Staff?

10 A. There's only one condition that I believe I
11 disagreed with her on, and that was the extent of resale.
12 And my disagreement was not to the concept of resale per
13 se, because it's clearly allowable under the statute, but
14 the degree of resale ought to be a factor in the
15 cost/benefit analysis. In other words, the more a carrier
16 is willing to invest in the rural infrastructure, that
17 would be a plus in that calculus, and the more they are
18 allowed on resale, that would be a minus.

19 Q. But as this Commission goes back and
20 deliberates and considers, assuming they decide they want
21 to grant ETC status to an ETC applicant generically, would
22 that -- would those conditions that have been put forth by
23 the Public Counsel and the Staff, would those be in your
24 mind good conditions for the Commission to condition ETC
25 status on?

1 A. Yes. And I believe both of them referenced
2 the minimum criteria in the ETC designation order,
3 including the five-year plan, and I obviously agree with
4 that.

5 Q. Okay. I believe in a response to
6 Commissioner Appling you indicated that U.S. Cellular had
7 committed to build 18 new towers. Are you sure 18 is the
8 correct number?

9 A. I probably misspoke if I said 18. I meant
10 16.

11 Q. In response to Commissioner Appling, you
12 were talking about -- he'd asked you before what you could
13 leave with him, and you responded something about U.S.
14 Fund as being a finite resource, you need to evaluate
15 cost/benefit, and bottom line you need to get bang for
16 your buck.

17 Are you aware of what USAC's fourth quarter
18 2005 data would show in terms of the amount of the USF
19 funding that U.S. Cellular would stand to receive if
20 granted ETC status in Missouri?

21 A. My understanding is it's something over
22 \$8 million per year.

23 Q. How much USF funding was at issue, if you
24 know, in the previous Mid-Missouri Cellular case that was
25 before this Commission, just for comparison purposes?

1 A. Subject to check, I believe it was under
2 2 million.

3 Q. Would you know what the current surcharge
4 is imposed on USF?

5 A. The current surcharge in -- for the -- the
6 most recent quarter I'm aware of is 10.2 percent of
7 interstate and international end user revenues.

8 Q. In response to some questions from U.S.
9 Cellular, you were talking about the six-step process.
10 And U.S. Cellular I suppose -- I guess as part of their
11 case has proposed a six-step process. What's your
12 fundamental problem or position with respect to that
13 six-step process that the Commission needs to consider?

14 MR. LaFURIA: Objection, your Honor. I
15 didn't ask anything like this on cross.

16 MR. STEWART: I believe you did.

17 MR. LaFURIA: I may have mentioned the
18 words six-step process, but I asked nothing about what his
19 position was.

20 MR. STEWART: No, I just did.

21 MR. LaFURIA: I understand that, but, your
22 Honor, my understanding is that the scope of his redirect
23 has to be limited to questions and issues that I raised.

24 JUDGE WOODRUFF: Well, or that were raised
25 by the Commissioners. Can you tell me who raised this

1 issue?

2 MR. STEWART: I'm trying to remember. I
3 think he was talking about this white area and how you
4 would provide service to a customer in that area. And he
5 was -- he was referring to how they might get to them,
6 which is part of their six-step process, if I remember
7 right.

8 MR. LaFURIA: Your Honor, I think his
9 recollection is incorrect. I asked whether he understood
10 how diversity could be used in an antenna should the
11 company wish to respond to a request for service. And his
12 answer was that they can put a Yagi in there. And my
13 follow-up question is, well, that Yagi antenna is just one
14 part of the process. Let's talk about how diversity is
15 used. We're just well beyond.

16 BY MR. STEWART:

17 Q. I'll just withdraw it and ask you about a
18 Yagi antenna. You indicated that a Yagi antenna is
19 receiving only; is that correct?

20 A. Well, no. In a wireless network, the
21 customer's location has to have a two-way connection with
22 the tower. You have to be able to receive the signal from
23 the tower, and the tower has to receive the signal that
24 your customer equipment, be it a handset or a -- through
25 an antenna on the roof of your car or your house or

1 whatever, you have to be able to get back to the tower or
2 you can't have wireless communications.

3 Q. Okay. U.S. Cellular asked you about
4 disaggregation. What path of disaggregation did
5 CenturyTel take?

6 A. CenturyTel took a Path 3.

7 Q. And my notes reflect that he kind of cut
8 you off on your explanation of that. Could you briefly,
9 very briefly explain what that means?

10 A. What it means is that what CenturyTel did
11 was they took -- if you computed the cost of each wire
12 center -- and the lowest might be \$30 per line per month,
13 the highest might be \$150 per line per month -- and
14 there's 107 wire centers in the Spectrum exchange, and
15 the lowest 10 of those, or 12 -- I forget the exact number
16 -- became Zone 1, and then everything else was
17 Zone 2. And that's a very rough cut.

18 And as I was explaining to Mr. LaFuria, the
19 cost of within any wire center probably differs more than
20 the cost between any two wire centers, because if you're
21 in the center of town right next to the central office,
22 it's relatively inexpensive. If you're out at the
23 periphery 20 miles from the central office, even though
24 you might be in what otherwise is a low average cost wire
25 center, that customer could cost several hundred dollars a

1 month to serve.

2 And the other problem is that that looks at
3 the cost of a wireline network. A wireless network has
4 different cost drivers. And so it was a very inexact
5 science of disaggregation, and in part driven by, as I
6 tried to describe, a system that's probably less than
7 optimal but for the time being we have to live with.

8 Q. Commissioner Appling asked you what he
9 could take back with him as they deliberate. Can you
10 briefly summarize, including any comments you might have
11 on the six-step process, what the Commission might
12 consider?

13 A. Well, again, I think the root of it is a
14 cost/benefit analysis. Are the rural consumers in the
15 state of Missouri getting benefits commensurate with the
16 cost? And the FCC framework lays that out. It lays out a
17 way to see how that white area gets filled in.

18 As I say in my testimony, one of the
19 problems I have with the six-step process is, you count
20 somebody as covered if you put an antenna on the roof and
21 they get a signal. Well, that's great for that customer,
22 but if I'm driving by there in a car with a handset, I'm
23 not going to be able to draw a signal. So for most of the
24 body of customers, the health and safety or whatever
25 benefits aren't there.

1 So really, as I said, the five-step thing
2 is kind of a way that they can show you what they're going
3 to do with the money and prove, which is under the FCC
4 guidelines, they have the burden of proving that the
5 application is in the public interest.

6 MR. STEWART: That's all I have. Thank
7 you.

8 JUDGE WOODRUFF: Mr. Brown, you can step
9 down. And I assume you're probably going to stick around
10 for the rest of the day?

11 THE WITNESS: Yes, sir, I'll be here.

12 JUDGE WOODRUFF: I was going to excuse you
13 if you wanted to go home. You're welcome to.

14 THE WITNESS: I will stay here, sir.

15 (Witness excused.)

16 JUDGE WOODRUFF: Okay.

17 MR. LaFURIA: May I interrupt for just a
18 second?

19 JUDGE WOODRUFF: Sure.

20 MR. LaFURIA: Because it occurs to me this
21 is very unusual in that our policy witness Mr. Wood stuck
22 around for an extra day. Normally he flies the coop. I
23 just noticed this morning Commissioner Appling and
24 Commissioner Clayton asked a couple of really pertinent
25 questions here, and I thought the record might benefit

1 from the fact they're here and they've asked these
2 questions, the record might well be served by having
3 Mr. Wood respond to those questions from the other side of
4 this issue, with your indulgence. I certainly don't
5 intend to ask him any questions, but if the Commissioners
6 wanted to, I'd suggest that.

7 JUDGE WOODRUFF: I'll leave it up to the
8 Commissioners.

9 COMMISSIONER CLAYTON: Are his witnesses
10 still here?

11 JUDGE WOODRUFF: They are still here.

12 MR. LaFURIA: He normally leaves me right
13 away, and I just thought that since you're here and you
14 asked --

15 JUDGE WOODRUFF: We'd be talking about
16 Mr. Wood.

17 MR. LaFURIA: Just the policy expert.

18 COMMISSIONER APPLING: I think there's one.

19 JUDGE WOODRUFF: Bring him on up.

20 COMMISSIONER APPLING: I invited him to
21 stay over and spend some money in Jefferson City last
22 night.

23 JUDGE WOODRUFF: Let's recall Mr. Wood,
24 then, and we will just ask Commissioner questions. And
25 then we'll give a chance for recross and redirect based on

1 those questions.

2 MR. LaFURIA: Thank you, your Honor.

3 JUDGE WOODRUFF: You're already sworn, so
4 you're still under oath. Commissioner Appling, you've got
5 some questions?

6 DON WOOD testified as follows:

7 QUESTIONS BY COMMISSIONER APPLING:

8 Q. Good morning, Mr. Woods.

9 A. Good morning.

10 Q. Is that correct, Mr. Woods?

11 A. Mr. Wood.

12 Q. I have several questions, and hopefully I
13 can kind of ease into them here, if you don't mind.

14 A. That's all right.

15 Q. I'm sorry that I wasn't here yesterday, and
16 I apologize, so would you take the first couple of minutes
17 and just tell me what you do and why you're here?

18 A. Yes, sir. I've been in this industry since
19 1987 working for ILECs, working for competitors, long
20 distance companies and the like. Since 1992 I've been
21 doing this consulting work, and my focus specifically is
22 on federal and state regulations and how they are applied
23 in these kinds of cases.

24 I'm a financial and economic person by
25 training. I've been involved in, I guess, about 24, 25 of

1 these state ETC kind of proceedings so far, and then a
2 couple of others at the FCC. So my focus has been on the
3 application of the rules in these contexts, what the
4 public policy is, how the public -- how the public
5 benefits, and what Mr. Brown calls the cost/benefit
6 analysis, what are those benefits and what are those costs
7 has really been my focus.

8 Q. I like brief answers, so if you can keep
9 them brief, that would be fine. Not that I'm a smart guy,
10 it's just that I can't retain a lot. Just hit me quick
11 with this. What is the Universal Service Fund?

12 A. The federal fund as it exists right now is
13 a mechanism to ensure the availability of telephone
14 service to stated objectives in the Act, and to promote a
15 policy that makes the services that are available in urban
16 areas also available to consumers and businesses in rural
17 areas at comparable prices. That's the stated objective.

18 Q. Who gets money from the fund?

19 A. Who receives the money?

20 Q. Uh-huh.

21 A. Carriers receive the money. The incumbent
22 companies receive the lion's share of it. Some of that
23 money also goes to competitive carriers that have
24 qualified for the purpose of investing in these rural
25 areas.

1 Q. Okay. And you are here for the applicant,
2 correct?

3 A. Yes, sir.

4 Q. Okay. And maybe I'm asking you the wrong
5 question. Maybe I'll be needing to ask the witness from
6 yesterday. What do you want this money for?

7 A. Well, what U.S. Cellular is asking the
8 money for, if you look at this map that they put up here
9 on the top --

10 Q. Right.

11 A. -- there are the dark green areas, and I'll
12 try to do the best I can for the record, where the company
13 today looks at what the investment's going to cost, looks
14 at the revenue opportunity, and they can make a business
15 case for making those investments today without Universal
16 Service Funding. That's where it makes good business
17 sense for them to go.

18 Now, clearly there are white areas on that
19 map. There are people in those white areas. Either they
20 live there, they work there, they pass through there, they
21 have health and safety needs that would benefit from
22 wireless coverage.

23 To go into most of those areas, you can't
24 make a business case for it without the Universal Service
25 money coming in and tilting that business case one way or

1 the other to make it a positive case to make these
2 investments.

3 What's here as the lighter green area, it's
4 kind of emerald green on there, are the areas that they've
5 identified as Phase 1, if you will, or just Phase 1A,
6 because it may be more than that, of areas they're saying
7 they've identified a need from customers based on the
8 feedback they get and their experience where customers
9 need extended coverage and where, if the support were
10 available from this program, it would tilt the business
11 case in favor of that investment. And they've made the
12 commitment to use all the funds for this investment and at
13 a minimum conduct this Phase 1A within a short timeframe.

14 And then what they've said, too, is if, in
15 fact, it proves out through the scheduling of all this
16 that additional funds are available, they go beyond 1A to
17 some additional locations. But it gets this coverage
18 available to those additional areas on that map that
19 wouldn't be there otherwise.

20 Q. What do you want Lin Appling to take away
21 from your testimony today?

22 A. I want you to take away a couple things,
23 and I'm going to give you a short answer, but I'll admit a
24 couple of things up front, because I'm not from Missouri.
25 I'm a country boy from Georgia, but I spend a lot of

1 time --

2 Q. Believe it or not, you and I are from the
3 same state. I've got to determine now whether that's to
4 your advantage or against it.

5 A. Where are you from, Commissioner?

6 A. I'm from down near Macon.

7 A. I'm actually from Covington, up northeast
8 of there toward Augusta.

9 Q. Yeah, I know exactly where you're from.
10 I've been away there for 30 years, but all of my people
11 are still in mid-Georgia. So welcome to Missouri.

12 A. Thank you. Well, my wife's got some people
13 here closer to the city.

14 Q. You don't need to put all that in the
15 record.

16 A. Here's what I want you to take away. I do
17 a fair amount of work for some chambers of commerce in
18 those areas, and having grown up in the country, I've also
19 got some sensitivity to the needs of these people.

20 I want you to take away from this that
21 there are benefits here. There's federal money available
22 for this specific purpose, to expand that coverage, not
23 just that first phase on that map, but to fill out through
24 that map to provide this coverage certainly for people's
25 convenience, certainly for people who do business, who

1 need the phone service for their business on a mobility
2 basis, certainly for the economic development of these
3 areas.

4 The research that I've done for these rural
5 areas, granted in Georgia, is that availability of
6 wireless service and availability of high-speed data
7 services are the top two things we hear from companies
8 when we're asking them, what's your threshold on coming to
9 this area to put your factory, to put your office
10 building? That's the things that consistently come up.
11 So there's rural economic development benefit issue to
12 this.

13 And the last thing that I don't want to get
14 understated is the health and safety benefit, because
15 while the ILECs, fine companies all, they're providing
16 service, they talk about serving throughout, they don't
17 serve throughout. They serve at the end of a wire, and it
18 may be that when you have an emergency you're not at the
19 end of a wire, you're alongside a road, you're in a field,
20 you're away from that. That access to emergency services
21 with the company's phones that can tell the emergency
22 operator where you are within six feet on the planet
23 without you being able to utter a word, that's a benefit
24 that I don't want to get lost in this.

25 Now, are there costs? Yes, there are costs

1 to the fund. I would be remiss if I didn't mention that
2 when the ILECs talk about increasing the size of the fund,
3 the majority of that increase has gone to them, not to
4 competitors. But we're talking about spending this money
5 in the right way. We're talking about a company that's
6 coming in here, has a good track record for doing this in
7 other states, and they're saying, here's how we're going
8 to spend the money, here's what we're going to do, first
9 phase. It's on this map right here.

10 Then we're going to come back to you every
11 year, we're going to show you how we spent the money, how
12 we're going to spend it next year to benefit these people
13 in these areas to provide that concrete benefit. And you
14 get feedback on that. If you don't like where they're
15 going, if you don't like what they did, you can refocus
16 them. If you really don't like it, you can decertify them
17 and they don't get money the next year.

18 This is not give them the money and hope
19 they do the right thing. You are on top of this with an
20 annual review every single year they get money. So that's
21 the cost side of this. The benefit is, there are people
22 out here who can get this service under this plan that
23 won't get it otherwise. I don't want that to get lost in
24 this case.

25 Q. I would just like to say to you and

1 everybody in here that I'm interested in this, and let me
2 give you a quick and down and dirty reason why. I was at
3 a funeral not too long ago where a farmer friend of mine
4 in the rural part of Missouri was baling hay and the baler
5 fell on him. I often think when I drive up and down the
6 road down there if he'd have had a phone on him, he might
7 be among us today. But he didn't, and he couldn't get the
8 word back to his family and he bled to death after four or
9 five hours of laying there.

10 But I also have a philosophy that -- and
11 I'm not preaching to you this morning, don't get me
12 wrong -- that whatever you do, you do it right or you
13 don't do it at all, specifically when we're using other
14 people's money to do it. So that's the message that need
15 to be carried away from here this morning, is that if we
16 do anything, and I'm not saying that because I'm only one
17 of the Commissioners for this, for the Public Service
18 Commission for the State of Missouri, but you do it right
19 or you don't do it at all.

20 And I think that's the philosophy that I
21 want you and your company to hail out and clear this
22 morning concerning this process. But who's going to get
23 hurt here if we approve this ETC?

24 A. If you -- well, let me say one thing, and I
25 agree with you on the do it right, because this is not the

1 only company that I present testimony for. There are
2 companies who do it right. There are companies who don't
3 do it right. There are companies that I don't testify
4 for. If I don't think they're doing right, they can't pay
5 me to come sit here, because I won't do it.

6 Q. I'm sure Commissioner Clayton will ask you,
7 but you need to be thinking about what other states have
8 or have not successfully done this.

9 A. Yes.

10 Q. Go ahead and answer the question.

11 A. I'm sorry. But I absolutely do believe
12 that it has to be done right. I do believe. I have seen
13 people do it wrong. I can honestly sit here and tell you
14 under oath, this is a company that I believe will do it
15 right or I wouldn't be here for them. They've done it
16 right in other states. They've given you here the first
17 phase of the plan that looks to me like they're starting
18 the first phase doing it right. But you're on top of them
19 every year.

20 So who gets hurt? Let's say they've pulled
21 the wool over all our eyes, we're all fooled, they're not
22 going to do this, any of this. You are going to be from
23 the time of designation until the time of your first
24 certification, depending on how it plays out, some number
25 of months, but less than a year away from your first

1 review where you can cut them off clean and don't
2 recertify them.

3 So who gets hurt? Where's the window of
4 exposure? There's the window of exposure, if for some
5 reason we've all been duped, you can cut them off inside
6 of a year in terms of funding. You recertify them; you
7 say, we're not going to recertify them. You tell the FCC
8 and USAC, they don't get another penny. That's the end of
9 that process. That's the window of exposure. I don't
10 believe it will happen, but that's what gets balanced with
11 these benefits that we've talked about.

12 Q. While these phones are not regulated by us
13 and sometimes they throw up the smoke veil, we want the
14 money but we're a little hesitant about playing by the
15 rules, that's a concern for me.

16 A. Yes, sir.

17 Q. I don't know whether you're the right
18 person. Pete might be the right person to answer this.
19 But if this is approved for you guys, are you going to
20 play by the rules?

21 A. I can tell you that my experience with the
22 company is that I believe they will, but obviously I'm not
23 an employee of the company. I can't speak for them. My
24 experience with this company, my experience with what
25 they've done in other states to date suggests that they're

1 going to do exactly what they tell you, and then they're
2 going to be back next year for you to tell them whether
3 you agree with what they've done or not.

4 Q. How do you respond to Mr. Brown's testimony
5 this morning when he said that there's a six-point plan
6 that was laid out in the beginning and that you-all are
7 not up to the standards as far as that plan is concerned,
8 you don't have that plan laid out and in place? How do
9 you respond to that?

10 A. Well, Commissioners, as I understood his
11 testimony, it's not that he thought the company didn't
12 follow the six-step plan because the company has a
13 commitment in its testimony to do exactly that. It's the
14 FCC's plan that the company's committing to. The way I
15 understood Mr. Brown's testimony is he just doesn't like
16 the six-step plan. It's not that he doesn't think the
17 company's going to go by it.

18 It's in place. It's been laid out by the
19 FCC for a couple of years now in pretty much its current
20 form. The company's made exactly that commitment that's
21 in the FCC, the most recent FCC order.

22 I think what Mr. Brown doesn't like is that
23 it doesn't show all that white area filled in overnight,
24 all at once throughout. Well, of course, that's not the
25 standard. It's not the standard for them or they'd fail

1 it. It's not standard for any company.

2 We've got a benefit here for this company
3 that we're in here early with this early map. We weren't
4 in here early with the ILECs when their maps looked kind
5 of the equivalent of this and they were starting to build
6 out. Their networks didn't spring full-blown overnight.
7 It took time. They were getting a series of implicit
8 rather than explicit subsidies over time, and then some
9 different USF plans, but they were receiving support as
10 they built out. I don't have a problem with that.

11 What I have a problem with is saying, well,
12 now that it's someone else, in order to receive support,
13 you've got to already have built out. Well, that's not
14 the standard. It doesn't make any sense. The standard is
15 that money is for the build-out.

16 What you've got to do is go through this
17 process to assure you up front and annually that they're
18 spending the money for that purpose. That's the initial
19 presentation they make. That's the presentation they've
20 got to make to you on every annual recertification when
21 you look at them again.

22 Q. Last question, sir. Is there anything else
23 you think I need to know before you -- before Commissioner
24 Clayton take over? He's the mean one here this morning.

25 A. Oh, no. That's no problem. And I've

1 enjoyed my time with you, Commissioner, for that reason.

2 No. I can honestly say, this cost/benefit
3 I think we've -- when you listen to Mr. Brown, we lose way
4 too many of the benefits. We hear a lot of arm waving
5 about the costs, much of which has been created by his
6 client, not mine. I think we need to look closely at the
7 cost/benefit, the program to fill out that map, and that's
8 what we've got in place.

9 I think, Commissioner, you've got a good
10 company stepping up to the plate asking to play by the
11 rules, fill out that map, and I would urge you from a
12 public interest standpoint to take them up on it and
13 review them every year and make sure they stay straight
14 and narrow.

15 COMMISSIONER APPLING: Thank very much, and
16 spend some more money in Jefferson City, okay?

17 THE WITNESS: Yes, sir. Thank you.

18 JUDGE WOODRUFF: Commissioner Clayton?

19 COMMISSIONER CLAYTON: Good cop, bad cop.
20 Thanks a lot, Commissioner. I'll remember that.

21 QUESTIONS BY COMMISSIONER CLAYTON:

22 Q. Mr. Wood, are you employed by U.S. Cellular
23 or are you a consultant?

24 A. I'm an outside consultant, yes.

25 Q. And where are you based?

1 A. Atlanta.

2 Q. Are there any U.S. Cellular employees
3 testifying in this case or are you the sole witness?

4 A. No. There were two inside company
5 witnesses, yes.

6 Q. Okay. Have they already gone back?

7 A. I believe they're here.

8 MR. LaFURIA: They're both here,
9 Commissioner.

10 COMMISSIONER CLAYTON: All right. Then
11 I'll see, maybe save that if they're available to testify.

12 MR. LaFURIA: We'd make them available at
13 your request.

14 BY COMMISSIONER CLAYTON:

15 Q. Is this your exhibit, and I'm pointing to
16 this map up here?

17 A. It's the company's exhibit.

18 COMMISSIONER CLAYTON: What number is this,
19 Judge?

20 JUDGE WOODRUFF: That's No. 1.

21 COMMISSIONER CLAYTON: Exhibit No. 1?

22 JUDGE WOODRUFF: Excuse me. It's 3.

23 BY COMMISSIONER CLAYTON:

24 Q. Well, forgive me since I wasn't here
25 yesterday. I was touring facilities down in Springfield.

1 Could you describe Exhibits 1, 2 and 3 to me and tell me
2 what each of them depict?

3 A. Sure. I believe it's No. 1 that shows
4 current coverage, and that's the one Mr. LaFuria is
5 putting up.

6 MR. LaFURIA: This is 1.

7 THE WITNESS: And what that depicts is a
8 propagation analysis performed by the company of where its
9 current coverage exists today, and the different colors
10 there denote signal strength. Where you see a dark green
11 is a -- I believe that's a negative 85 DB signal. That's
12 a good solid hand-held phone signal.

13 Exhibit 2 shows the areas where if they're
14 designated, their initial phase of construction that would
15 be possible with those funds would be to fill in these
16 additional areas on that. And then Exhibit 3 is simply an
17 overlay of the two that shows in different shades of green
18 where they are and where they would be in I guess what I'm
19 calling Phase 1 of their construction.

20 Q. On Exhibit 3, the light green color, are
21 those the new -- those are the proposed new cell tower
22 sites?

23 A. Yes, sir.

24 Q. Or communities that would be served?

25 A. Yes, sir.

1 Q. And there are 16 of those; is that correct?

2 A. That's right.

3 Q. And there's a single cell tower in each
4 site?

5 A. I believe that's right, yes.

6 Q. And would a single cell tower provide
7 coverage throughout the exchange? Let me ask you this:
8 Will it allow for -- will it allow for U.S. Cellular to
9 provide service throughout the city limits of the town?
10 I'm not sure if you're putting it in town or out of town
11 or --

12 A. Well, some of these would be each one, and
13 I guess the most direct answer is it would allow them to
14 provide a strong reliable signal coverage for a hand-held
15 phone wherever you see that light green, that emerald
16 green area. The radio propagation doesn't really stop at
17 town limits or ILEC exchange boundaries.

18 Q. What's the range of a tower?

19 A. Well, it's going to vary by terrain. If
20 you look at the ones in the northern part of the state
21 where things tend to be pretty flat, you'll see they look
22 a little larger than the ones down south where you start
23 hitting the Ozarks, I guess. We have a technical guy here
24 for the company who can give you probably a better answer,
25 but it's going to depend on, you know, strength of the

1 transmitter, the height of the tower and the surrounding
2 terrain that they're working in.

3 Q. So one cluster of emerald green on
4 Exhibit 3 would be suggested coverage that one cell tower
5 would produce?

6 A. I believe that's correct, sir.

7 Q. And if I ask a question that's HC, somebody
8 stop me because I'm not sure what's HC and what is not.

9 JUDGE WOODRUFF: The entire map is not HC.

10 COMMISSIONER CLAYTON: How about dollars,
11 are dollars HC, cost of towers?

12 JUDGE WOODRUFF: No.

13 COMMISSIONER CLAYTON: Dollar amount of
14 this request?

15 JUDGE WOODRUFF: I believe the only thing
16 that was HC was some technical data specifying exactly the
17 range of each tower.

18 MR. STEWART: Commissioner, I think I might
19 be able to clarify. CenturyTel's witness did a
20 propagation analysis as well as U.S. Cellular, and some of
21 the statistics out of that propagation analysis which
22 would be Mr. Brown's rebuttal testimony were deemed highly
23 confidential, but other than that, I don't --

24 COMMISSIONER CLAYTON: Well, say, you all
25 stop me if I go down the wrong path, if I go down the

1 wrong dusty road, as Commissioner Appling would say. You
2 know, I'm from Hannibal. I'm from a small town, too.

3 BY COMMISSIONER CLAYTON:

4 Q. I apologize for digressing.

5 A. That's all right. I'll try to work in a
6 Mark Twain reference.

7 Q. Good. I appreciate that, because there's
8 no emerald green close to Hannibal, so we'll work on that.

9 Do you know what the cost is to erect a
10 cell tower site? I know it will vary, but what is the
11 cost? Can you give me an average cost for the 16?

12 A. The average cost that the company witnesses
13 have described I believe is anywhere from 250 to 400,000.
14 That's going to vary by site in terms of the acquisition
15 and tower type, transmitter type and the like.

16 Q. And what is the total dollar amount
17 request? And if this isn't your testimony, I apologize.

18 A. Well, there's not a dollar amount request.

19 Q. Let me rephrase the question. What's the
20 total cost for these 16 sites?

21 A. That is a number you should get from the
22 company because they're better equipped to tell you.

23 Q. Okay. Can you tell me how the sites were
24 selected or is that a company question also?

25 A. I can tell you it's my understanding

1 they're based on the company's feedback from customers,
2 because they get a lot of customer feedback on where
3 coverage is good and where it's not. And I know they've
4 got a lot of personal experience driving through some of
5 these areas. So they picked it on priority basis on where
6 they felt like coverage needed to be filled in but where
7 they couldn't make a business case today absent the
8 funding for going out and building in that area because of
9 the cost of it.

10 Q. Is that a consultant question or a company
11 question that I should ask?

12 A. I would also ask it of the company.
13 They've probably got a better specific.

14 Q. Okay. Are you aware of what states have
15 tackled the issue of ETC designation for wireless
16 carriers?

17 A. I can --

18 Q. Yes or no?

19 A. Yes.

20 Q. Let's take this slowly.

21 A. Yes, I won't Mr. Brown you.

22 Q. I'll try to keep my frustration down. Yes
23 or no, are you familiar with what other states have done
24 regarding ETC designation for wireless carriers?

25 A. I'm familiar with many of them because I've

1 been involved. I don't have a 50-state survey to offer.

2 Q. Okay. That's fine. How many states have
3 you been involved with on one side or another on a
4 wireless applicant -- application for ETC status, how many
5 states?

6 A. I believe the answer is about -- it's
7 20 states. It's been about 24 proceedings. There have
8 been a couple of states where multiple providers have
9 requested designation.

10 Q. And how many of those 20 states have denied
11 a -- one or more applications for ETC designation?

12 A. Two.

13 Q. And what states were those?

14 A. Idaho and Nevada.

15 Q. And how recent were those cases?

16 A. In the past 18 months.

17 Q. So fairly --

18 A. Fairly recently.

19 Q. Does Idaho have any wireless carriers
20 designated as ETC, are you aware?

21 A. I don't know the answer, Commissioner.

22 Q. Okay. How about Nevada?

23 A. I believe Nevada has some designations in
24 some areas, but this most recent request they did not
25 approve.

1 Q. So only two states out of 20 have denied
2 ETC designation in cases that you are familiar with; is
3 that correct?

4 A. Yes, sir.

5 Q. So 18 states have granted ETC status for
6 wireless carriers in the cases that you've participated or
7 are personally familiar with, correct?

8 A. Yes. And actually I gave you the wrong
9 number. The answer should be 19. I left Nebraska off the
10 list for some reason.

11 Q. Out of 21?

12 A. So it's 19 out of 21.

13 Q. So 19 states have granted the ETC
14 designation for wireless companies?

15 A. That I've been involved in.

16 Q. That you've been involved in. Okay. What
17 state has been -- has granted ETC status but only granted
18 with -- with significant requirements that go with the
19 grants, whether it be for service quality or demonstration
20 of service coverage? Which one has been the biggest pain
21 in the neck? And then I'm going to ask you which one has
22 been the easiest.

23 A. That's fine. It's my understanding that,
24 as good a relationship as I have with them, Vermont has
25 been perhaps the most difficult, and that's really related

1 more to site location.

2 Q. I'll tell Commissioner Burke you said that.

3 A. I work for the consumer advocate there on a
4 fairly regular basis.

5 Q. I understand.

6 A. That's been a site selection problem in
7 Vermont.

8 Q. Site selection in the sense of which towers
9 go where?

10 A. Site selection in terms of once you
11 identify where there's a need, actually permitting to
12 build a tower that corresponds with that need proves to be
13 very difficult in Vermont. And I don't necessarily
14 disagree with their philosophy on why they want to do
15 that, but you get some friction between are you serving
16 the area of the next best need and can you locate a tower
17 anywhere in that area to actually do it?

18 Q. Did the Vermont Commission select the
19 communities that would be served under the ETC
20 designation, or did the wireless company select the areas?

21 A. At least in my experience, the wireless
22 companies have made the initial list.

23 Q. Let's focus on Vermont. I want to talk
24 about Vermont.

25 A. I'm talking about Vermont, but then there's

1 been some pretty close collaboration, and I don't know how
2 much of it's formal and how much is informal, with the
3 Department of Public Service there and their staff, as far
4 as fine-tuning that.

5 Q. Okay. So was that a U.S. Cellular case or
6 was that a different wireless carrier?

7 A. I believe --

8 Q. Is this going to embarrass you?

9 A. I believe it was a different carrier.

10 Q. No one will know.

11 A. Well, unfortunately, Mr. LaFuria was there,
12 so he'll probably --

13 Q. Okay. In that case, the wireless carrier
14 worked with the public service agency in working out the
15 sites. Do you know if that collaboration occurred in
16 Missouri?

17 A. On the up-front basis, I don't know. But I
18 want to be clear that what's going on in Vermont and what
19 goes on in other places is an ongoing effort. It's not
20 just simply an up-front. Because we're talking Phase 1
21 here. There's going to be Phases 2, 3, 4, 5, and that
22 tends to be where the agencies get most involved in the
23 process.

24 Q. Which phase?

25 A. Well, I guess after this initial phase,

1 because there's usually not a lot of controversy about
2 where the first fill-in is. It's going forward a lot
3 of -- and South Dakota is probably a good example of this,
4 because I know that commission gets a lot of feedback from
5 customers about where they want to see coverage filled in,
6 and that Commission is not shy about sharing with the
7 carriers the feedback they're getting about where it ought
8 to be filled in, and together they work out a process for
9 the next year or plan for the next year.

10 Q. Are you suggesting it's different when you
11 have an elected commission compared to an appointed
12 commission?

13 A. No. I'm simply suggesting that different
14 states have different methods that have evolved in place,
15 and the ones that I see working well are post-designation,
16 but part of the annual recertification process starting
17 sometime in advance of that recertification, collecting
18 the information and actually working on the collaborative
19 process to make sure that the right information gets
20 produced.

21 Q. Okay. The phase, the six -- the six
22 phases, is that in your testimony or is that in the
23 testimony of other witnesses?

24 A. I'm sorry. The six-step process?

25 Q. The six-step program, whatever you call it.

1 A. The six-step process, that's in -- it's
2 described in my testimony. I believe it's described at
3 least in one of the company witnesses' testimony.

4 Q. Which witness would that be?

5 A. I have to defer to --

6 MR. ZOBRIST: Mr. Wright, I believe.

7 BY COMMISSIONER CLAYTON:

8 Q. I get testimony confused.

9 A. And it's nearly verbatim from the most
10 recent FCC order and from the Virginia Cellular order.

11 Q. How old is the Virginia Cellular order now,
12 are you aware?

13 A. It was released on January 22nd, 2004.

14 Q. Two years old?

15 A. Getting long in the tooth.

16 Q. Okay. Have any states granted ETC status
17 without requiring any level of service or any type of cell
18 tower development, are you aware?

19 A. In terms of a specific plan?

20 Q. Have any states granted ETC status without
21 any strings at all, no strings attached?

22 A. Well, I don't think they can with no
23 strings because there are strings embodied in the federal
24 law and in the rules that apply, quite a few, that are
25 requirement -- specific requirements and commitments, not

1 just for competitive carriers but for the ILECs as well,
2 that lead into your annual review process.

3 In terms of additional strings, I know
4 several states have done that. Alaska comes to mind first
5 on that list. Other states have done rulemaking external
6 from any designation proceedings where the rules that
7 apply to other carriers.

8 Q. Do those rules -- in those examples you
9 just suggested, do those rules provide additional strings
10 from what is required under the federal law?

11 A. Sometimes, yes, sir.

12 Q. They have? What states would those have
13 been, just if you know?

14 A. I'm trying to decide if I'll get in trouble
15 or not with my client, but I'll tell you what I really
16 think. West Virginia is probably -- if you ask me for my
17 state that's done it right, I would probably have to hold
18 them up because they've -- well, No. 1, they have Billy
19 Jack Greg who's very active, and he's been very active in
20 these cases. They have made some designations.

21 They've been very careful about it, and
22 they've had a separate rulemaking on what the conditions
23 will be, not inside of any designation proceeding but
24 separate from that, and those were additional rules that
25 apply. And I think they've done a very thoughtful and

1 very thorough job at doing that. That may be the state
2 frankly with the most strings, but I think it's a good
3 one.

4 Q. Billy Jack Greg's not known for being
5 particularly shy, is he?

6 A. He is not, and we've had some very lively
7 debates.

8 COMMISSIONER CLAYTON: I don't think I have
9 any other questions at this time. So, thank you, Judge.
10 Thank you.

11 JUDGE WOODRUFF: We're due for a break.
12 We've been going for almost two hours. So we'll take a
13 break now. We'll come back at 10:40.

14 (A break was taken.)

15 JUDGE WOODRUFF: We're back after break.
16 We just had several questions from the Bench. So I'm
17 going to give you-all an opportunity for recross based on
18 those questions. Public Counsel isn't back from break
19 yet.

20 Staff?

21 MR. POSTON: No questions, thank you.

22 JUDGE WOODRUFF: CenturyTel?

23 MR. STEWART: Thank you, your Honor.

24 Judge, before I do that, I don't know if this would be
25 helpful or not. We have printed out Mr. Brown's schedules

1 in color, which I know in black and white it's hard to see
2 some of this, and I think I've got enough copies for
3 everybody and the Bench, if I could go ahead and
4 distribute those.

5 JUDGE WOODRUFF: They're in color on EFIS,
6 so anybody that wants to can --

7 MR. STEWART: These are the same things
8 that are in our filing, but in case anybody wanted to have
9 a copy of them.

10 RE-CROSS-EXAMINATION BY MR. STEWART:

11 Q. Good morning.

12 A. Good morning.

13 Q. In response to, I believe, Commissioner
14 Appling, you referenced the March 2005 order of the FCC,
15 did you not?

16 A. I did.

17 Q. And was it your testimony that U.S.
18 Cellular's instant application now pending before this
19 Commission meets the requirements of that order?

20 A. No. It's my testimony that that
21 application was filed before that order, so...

22 Q. It's your testimony that the FCC order came
23 out after you filed your application in Missouri?

24 A. That's my recollection, but the FCC order
25 is not in effect at the FCC yet, certainly not in effect

1 anywhere else. And the other states that I've been
2 involved in that have approved designations, at least
3 three of them since that order came out have all applied
4 the previous standard because legally there is no new
5 standard.

6 Q. I hear you clucking but I can't find your
7 nest. What I guess I was asking you, was trying to ask
8 you was, is it your testimony that U.S. Cellular's filing
9 in this case meets the requirements of that order? Not
10 that you have to do it, but does it?

11 A. I think they've committed to meet those
12 requirements and committed to provide additional
13 information if the Commission wants it, but I think in a
14 specific case of their projected investment, there's a
15 timing difference between what's referenced in the FCC
16 order and what's in the application.

17 Q. Does the FCC order as one of its
18 requirements have a five-year plan?

19 A. Yes. That's what I just referenced.

20 Q. Okay. Does U.S. Cellular's application as
21 filed contain a five-year plan?

22 A. No. They have a commitment to provide one
23 if requested, but it --

24 Q. But you haven't filed a five-year plan?

25 A. That's correct. We don't disagree about

1 that.

2 Q. All right. Now, as we were talking
3 about -- as you were talking about the plans that U.S.
4 Cellular has submitted, I think you referenced a -- this
5 morning, and that's the first I'd ever heard of it -- a
6 Phase 1A?

7 A. Yes.

8 Q. What is Phase 1A again?

9 A. Well, it's the reference -- it's my term.
10 What I'm describing here is obviously there is a first
11 phase of investment. That's what the company has
12 described here.

13 Q. Is it the 16 towers?

14 A. Yes. Yes. I'm sorry. For the record, it
15 is the 16 towers denoted on Exhibit 3.

16 Q. Is there a 1B?

17 A. Well, I think if you listened to the
18 witnesses yesterday, they described the scenario in which
19 that would take place, and that is depending on the timing
20 of this designation. It's uncertain what monies will be
21 available in this period of time in terms of funding.

22 Q. So the answer is no?

23 A. No. The answer is the one I'm giving you.
24 If additional funds prove to be available beyond what is
25 required for this first phase, what I'm referring to as

1 1A, they will make additional investments in these areas
2 as part of this initial phase, which would be in effect a
3 1B, but there's some uncertainty about the amount of
4 funds. So this is the initial commitment, the 1A. If
5 additional funds are available, there will be a 1B.

6 Q. Can you point me to anything in the record
7 or in your testimony or in U.S. Cellular's testimony that
8 says we have tower No. 17 or tower No. 18 and where that
9 might be? Is there any place in the record that shows
10 that?

11 A. No.

12 Q. Thank you.

13 A. No. That's not at all what I've suggested
14 to you.

15 Q. Okay. Just wanted to make sure. I mean,
16 there hasn't been submitted either in this record or to
17 the Staff on the side or anything else anything beyond the
18 16 cell towers, correct?

19 A. Not to my knowledge, because that's based
20 on the best estimate of the amount of funding that will be
21 available.

22 Q. I understand that.

23 A. If there's more dollars, there'll be more
24 investment.

25 Q. I am just trying to figure out what

1 documents we have to look at.

2 A. As am I, and that's the documents we have.

3 Q. I think there was a little bit of
4 confusion. You were talking about the five-year plan or
5 the six-step process. Isn't it true that the six-step
6 process is really U.S. Cellular's approach to having to
7 deal with a reasonable request for service? That's what
8 that is, right?

9 A. Well, let me be sure I understand your
10 question, because you said five-year plan or six-step
11 process, as if that's somehow different ways of referring
12 to the same thing.

13 Q. They're two different things?

14 A. Fundamentally.

15 Q. And that's exactly what I wanted to
16 clarify, because it was unclear at least to me as a
17 discussion was going with the Commissioners. I mean, on
18 the one hand you have a five-year plan thing that's coming
19 out of the FCC order. That's one distinct thing over
20 here. But you also have as part of I believe Mr. Wright's
21 testimony, he describes a six-step process, and that
22 process is not really related to the five-year plan. It's
23 how U.S. Cellular would approach dealing with a reasonable
24 request for service that it might receive; is that
25 correct?

1 A. Well, I was with you until you said they
2 weren't related because they both come from the FCC order.

3 Q. I understand that, but they're two distinct
4 things, are they not?

5 A. I agree with you that they were two things.
6 What I don't agree with you is when you said they were
7 unrelated, because the standard that any ETC has to meet,
8 whether it's U.S. Cellular, whether it's one of your
9 clients, is they have to meet reasonable requests for
10 service. That is their serve-throughout requirement.

11 The FCC has said, here is how we think
12 steps for meeting reasonable requests for service would
13 look: One, two, three, four, five, six. In fact the FCC
14 actually puts another qualifier on it. They said if it
15 can be done in a cost-effective manner.

16 Q. I'm not sure I disagree with you on
17 anything you're saying. I just wanted to clarify that
18 there's a five-year plan and six-step process, and you
19 agree with me on that?

20 A. They are different. They are related,
21 because the six-step plan is ultimately part of the
22 process by which -- the five-year plan is part of the
23 process by which you will implement meeting the request
24 for service, including the six-step process.

25 Q. And that five-year plan, you have not

1 submitted one in this case?

2 A. The company has not submitted a five-year
3 plan. They've offered if the Commission wants one.

4 Q. Okay. Would you accept that under your
5 filing an ETC request, that less than half of the roads in
6 your ETC service area are covered by U.S. Cellular's
7 signal strength today and that it would still be less than
8 half with the addition of the 16 new towers?

9 A. I factually don't know, but if that's the
10 case, then that's a pretty compelling reason that this
11 designation ought to be granted so that the funds can be
12 spent and those roads can be covered.

13 Q. But even -- assuming this is correct, that
14 even after you bring in your 16 new towers and spend those
15 funds, still less than half are covered?

16 A. Factually, can't agree or disagree, but
17 it's a compelling case to do it. These first 16 are
18 certainly not the end of the process, just at ILECs didn't
19 build out in one year either to cover all those areas.
20 It's going to take longer than that. This is the first
21 step.

22 Q. I understand. Can a customer get health
23 and safety benefits if they -- from a cellular telephone
24 if they don't have signal coverage?

25 A. No. That's why we need to get signal

1 coverage in these areas.

2 Q. Would you just -- never mind.

3 Is it your understanding -- let me back up.
4 Has CenturyTel suggested that -- in its testimony that as
5 a condition for ETC certification of U.S. Cellular, that
6 you have to immediately serve every wire center in your
7 ETC area? Is that your understanding of our testimony?

8 A. It's my understanding of Mr. Brown's oral
9 testimony that he believes the standard is that the
10 company must serve throughout in order to be designated.
11 And that's simply not the standard. If it were, your
12 client would fail it. The FCC's been very clear that's
13 not the standard.

14 Q. I think you misrepresent CenturyTel's
15 company testimony. Of course, the record will show that.

16 MR. LaFURIA: Your Honor, I move to strike.
17 That's argumentative and it's not necessary.

18 MR. STEWART: There's a lot not necessary
19 in this proceeding.

20 JUDGE WOODRUFF: I'll sustain the
21 objection. That response of counsel is stricken.

22 BY MR. STEWART:

23 Q. I think -- is it your testimony that the
24 ILECs received USF funding before they constructed their
25 facilities?

1 A. It's my testimony that they received either
2 implicit or later explicit support while they were
3 constructing those facilities, yes.

4 Q. But clearly in this case, if U.S. Cellular
5 gets granted ETC status, these new facilities, they
6 haven't been built yet, right?

7 A. Well, that's right. The dark green areas
8 are facilities that have. The light green areas are areas
9 that facilities haven't been. So we're kind of coming in
10 in the middle here.

11 MR. STEWART: I think that's all I have.
12 Thank you.

13 JUDGE WOODRUFF: Thank you. For Small
14 Telephone Group?

15 MR. ENGLAND: No questions.

16 JUDGE WOODRUFF: SBC?

17 MR. GRYZMALA: No questions.

18 JUDGE WOODRUFF: Any redirect?

19 MR. LaFURIA: No questions, your Honor.

20 JUDGE WOODRUFF: Mr. Brown, you can step
21 down.

22 THE WITNESS: Oh, don't do that to me.

23 JUDGE WOODRUFF: Sorry. Mr. Wood.

24 THE WITNESS: Don't do that to Mr. Brown
25 either.

1 JUDGE WOODRUFF: You can step down and you
2 are excused. You can go on home.

3 THE WITNESS: Thank you, sir.

4 (Witness excused.)

5 JUDGE WOODRUFF: All right. I believe
6 Mr. Schoonmaker is the next witness. Good morning, sir.

7 (Witness sworn.)

8 JUDGE WOODRUFF: You may be seated. And,
9 Mr. England, you can inquire.

10 MR. ENGLAND: Thank you, your Honor.

11 ROBERT C. SCHOONMAKER testified as follows:

12 DIRECT EXAMINATION BY MR. ENGLAND:

13 Q. Would you please state your full name for
14 the record, please.

15 A. My name is Robert C. Schoonmaker.

16 Q. And by whom are you employed and in what
17 capacity?

18 A. I'm president and CEO of GNW Consulting,
19 Inc.

20 Q. And on whose behalf are you testifying
21 today?

22 A. I'm testifying on behalf of the companies
23 in the Small Telephone Company Group, and the list of
24 those companies is included as Schedule RCS-1 to my
25 testimony.

1 Q. In that capacity, have you caused to be
2 prepared and filed in testimony prepared rebuttal
3 testimony that I believe has been marked for purposes of
4 identification as Exhibit 14 and a highly confidential
5 version that has been marked for purposes of
6 identification as Exhibit 15HC?

7 A. Yes, I have.

8 Q. And let's just turn your attention to that
9 for the time being.

10 MR. ENGLAND: Your Honor, it's our
11 understanding that some of the highly confidential
12 material previously designated as such has been released
13 for public consumption, and without going through it one
14 by one, I think I can summarize, and with concurrence of
15 counsel for U.S. Cellular, identify at least the schedules
16 that can be declassified into a nonproprietary version.

17 My understanding is the maps or diagrams,
18 however you want to refer to that, in RCS Schedule 7,
19 consisting of approximately 54 pages, can now be
20 classified as nonproprietary. Would that be your
21 understanding?

22 MR. LaFURIA: Yes, Counsel.

23 MR. ENGLAND: Thank you. So with the
24 Commission's permission, and I'm not sure how you want to
25 handle that, we would propose to move those schedules, if

1 you will, from the highly confidential version in
2 Exhibit 15 to the nonproprietary version in Exhibit 14.

3 JUDGE WOODRUFF: Certainly the record will
4 reflect that. If you actually want to physically move
5 them within the filings, you'll need to file the revised
6 copy with the reporter.

7 MR. ENGLAND: My preference, your Honor, is
8 to do as little as possible.

9 JUDGE WOODRUFF: That's my preference as
10 well.

11 MR. ENGLAND: That goes for a lot of things
12 by the way. Thank you.

13 BY MR. ENGLAND:

14 Q. Mr. Schoonmaker, turning your attention to
15 Exhibit 14 and 15HC, are there any changes or corrections
16 that need to be made at this point?

17 A. No.

18 Q. If I were to ask you the questions
19 appearing in that testimony, would your answers here today
20 under oath be substantially the same as those appearing in
21 Exhibits 14 and 15?

22 A. Yes.

23 Q. And are the answers and information
24 contained in those testimonies true and correct to the
25 best of your knowledge, information and belief?

1 A. Yes.

2 MR. ENGLAND: Thank you, sir. I'd offer
3 those two exhibits at this time.

4 JUDGE WOODRUFF: Let me ask a question
5 about 15, which would be the highly confidential version.
6 With the changes that we agreed, the maps are no longer
7 highly confidential. Is there anything in that document
8 that remains highly confidential?

9 MR. ENGLAND: Yes, your Honor. There is
10 some specific -- well, let me back up. Schedule RCS-9, as
11 I understand, continues to contain information that U.S.
12 Cellular deems highly confidential, and some of that
13 information is then cited -- specifically cited or stated
14 in Mr. Schoonmaker's testimony and it's marked
15 accordingly. So there is some highly confidential
16 information still remaining in that 15, Exhibit 15.

17 JUDGE WOODRUFF: All right. Exhibits 14
18 and 15 have been offered into evidence. Are there any
19 objections to their receipt?

20 MR. LaFURIA: No objection.

21 JUDGE WOODRUFF: Hearing none, they will be
22 received into evidence.

23 (EXHIBIT NOS. 14 AND 15 WERE RECEIVED INTO
24 EVIDENCE.)

25 BY MR. ENGLAND:

1 Q. Mr. Schoonmaker, let me turn your attention
2 now to Exhibit 16, which I believe is your prefiled
3 surrebuttal testimony. Do you have that in front of you?

4 A. Yes, I do.

5 Q. Are there any corrections or changes that
6 need to be made to that testimony at this time?

7 A. Surprisingly, no.

8 Q. That is a surprise. Are the answers
9 contained therein true and correct to the best of your
10 knowledge, information and belief?

11 A. Yes.

12 MR. ENGLAND: Thank you, sir.

13 At this time I would offer Exhibit 16,
14 which is Mr. Schoonmaker's surrebuttal testimony.

15 JUDGE WOODRUFF: Exhibit 16's been offered
16 into evidence. Are there any objections to its receipt?

17 MR. LaFURIA: No.

18 JUDGE WOODRUFF: Hearing none, it will be
19 received into evidence.

20 (EXHIBIT NO. 16 WAS RECEIVED INTO
21 EVIDENCE.)

22 MR. ENGLAND: Thank you, your Honor. At
23 this point I'll tender the witness for cross-examination.

24 JUDGE WOODRUFF: And for cross-examination,
25 we begin with CenturyTel.

1 MR. STEWART: No questions.

2 JUDGE WOODRUFF: SBC?

3 MR. GRYZMALA: No questions.

4 JUDGE WOODRUFF: Staff?

5 CROSS-EXAMINATION BY MR. POSTON:

6 Q. Good morning, Mr. Schoonmaker.

7 A. Good morning.

8 Q. In your testimony, you discuss individual
9 ILEC areas, and I'm talking about individual companies.
10 For example, you mention the Grand River Mutual Telephone
11 Company, and they have 36 exchanges, according to your
12 testimony; is that correct?

13 A. I believe so.

14 Q. And that U.S. Cellular has requested ETC
15 status in 30 of these exchanges?

16 A. I'll have to check. I'll accept that
17 subject to check.

18 Q. Okay. Page 68.

19 A. Okay.

20 Q. And you also testified that U.S. Cellular
21 cannot currently serve 23 of these 30 exchanges, and
22 therefore, you believe ETC status should be denied for the
23 entire Grand River Mutual Telephone Company area; is that
24 correct?

25 A. Yes.

1 Q. Isn't it true that an ETC can only receive
2 USF support for a particular exchange or wire center if it
3 provides service to a qualified customer within that area?

4 A. Yes, based on the customer's billing
5 address.

6 Q. So what is the harm in designating U.S.
7 Cellular an ETC in these areas where it isn't currently
8 serving if it won't receive USF funds until it extends a
9 network into that area?

10 A. First of all, there may be customers whose
11 billing address is in that area who may be using the phone
12 elsewhere, and they would receive support there. For
13 example, a student whose parents live in Princeton but who
14 is going to the University of Missouri in Columbia may
15 have a U.S. Cellular cell phone that is billed to his
16 parents' home address, and they would be receiving support
17 based on the cost of the USF support that Grand River
18 receives in the Princeton exchange, even though the phone
19 was used mostly in Columbia.

20 Q. So is that your only concern?

21 A. No, that's not my only concern. That's
22 one. I think one of the major concerns is that
23 Section 214(e)(1), I believe it is, of the statute says
24 that in order to be designated an eligible
25 telecommunications carrier, that service has to be

1 provided throughout the service area, and U.S. Cellular
2 provides very little service in Grand River's service area
3 and certainly doesn't provide it throughout the service
4 area.

5 Q. So wouldn't it place a burden on the
6 Commission and the carriers involved to require a carrier
7 to reapply for a new ETC area designation whenever it
8 picked up a customer in a new area where it's expanded its
9 coverage?

10 A. Well, I wouldn't expect that they'd come in
11 every time that they got a new customer. I think it's
12 appropriate that the designations be based on whether
13 companies meet the criteria in the statute and in the
14 FCC's rules, and in this case they don't. And to the
15 extent that somewhere down they road they build coverage
16 that covers Grand River's service area, then it would not
17 be inappropriate for them to come and request ETC status
18 and to make a showing whether they now meet the
19 requirements.

20 Q. You also testified that U.S. Cellular's 16
21 tower build-out plan would improve service to two
22 exchanges in the Grand River area. Do you think -- or is
23 that correct?

24 A. Well, I'm looking at page 68, line 17, and
25 my testimony says, with construction of 16 proposed

1 towers, two of the Grand River exchanges would have fairly
2 good coverage and two others would have some slight
3 coverage improvement. So there may be four exchanges that
4 are impacted. Let me look just a little bit. There are
5 actually two that would show substantial improvement and
6 two that would show slight improvement.

7 Q. Do you think it's in the public interest to
8 deny this improved coverage to these customers in these
9 two exchanges if these improvements would not occur absent
10 USF support?

11 A. Well, in terms of public interest
12 determination, there are a wide variety of factors that
13 need to be considered, including the statutory
14 requirements, and although that -- having those towers
15 built would assist in covering certain additional
16 customers, and that could be in the public interest, I
17 don't think that the public interest determination as a
18 whole is sufficient to still authorize them in Grand
19 River's service area.

20 Q. In the FCC's Virginia Cellular order,
21 didn't the FCC essentially encourage wireless carriers to
22 seek ETC status throughout their licensed cellular service
23 area because to do otherwise could raise accusations of
24 cream skimming?

25 A. I believe there was something like that. I

1 don't know how that particularly applies in this
2 circumstance.

3 Q. And in your -- I believe it's your rebuttal
4 testimony, you criticize U.S. Cellular's application
5 because it makes no commitment to lower rates. Where is
6 this a condition for ETC status?

7 A. It's not a specific state condition in
8 terms of the public interest. I guess there are a variety
9 of issues that the Commission needs to be involved with in
10 terms of whether the public interest is being met. The
11 overall intent behind Universal Service was to make
12 service universally available, and increasing service
13 coverage would be one of the ways that could be done.

14 In other cases and typically in ILEC
15 situations, those funds have been used to keep rates at a
16 lower level to help make sure that they're affordable and
17 available on a universal basis. Any particular ETC case
18 in looking at the factual circumstances related to that,
19 specifically in regards to U.S. Cellular's case, there is
20 no particular additional public interest benefits related
21 to the lowering of rates. There may be other public
22 interest benefits in some of the areas that the Commission
23 needs to consider and evaluate in that overall evaluation.

24 Q. What commitments have the rural ILECs made
25 to lower rates upon receipt of USF support?

1 A. The rural ILECs are rate regulated for the
2 most part by the Public Service Commission, and the Public
3 Service Commission over the past several years has
4 conducted a number of earnings investigations, and other
5 companies have come in and filed rate cases. And in each
6 of those cases, the amount of Universal Service Funds that
7 the company is receiving in the high-cost loop fund is
8 specifically taken into account in the determination of
9 rates and revenue requirement.

10 Q. Do you support or oppose U.S. Cellular's
11 request to redefine service areas?

12 A. Although they're -- as I indicate on
13 page 80 in regard to BPS, Goodman, Le-Ru and Grand River,
14 I note that they basically don't provide or aren't
15 proposing to provide service in any of those areas or only
16 to a very small extent in the Grand River area. My
17 recommendation is that the Commission not approve ETC
18 status and, therefore, redefinition is a moot point if
19 they take that position.

20 I think that I do note in terms of the
21 cream skimming analysis that there is not a cream skimming
22 issue in regards to the data that's provided for some of
23 the companies. In regard specifically to Craw-Kan, I
24 believe the cream skimming analysis that was presented
25 shows that there is a ratio of four-to-one higher costs in

1 the areas that U.S. Cellular is not going to serve from
2 the areas that they are going to serve, and I think that
3 certainly raises a question that the Commission needs to
4 look at from a redefinition of the Craw-Kan service area.

5 And I don't know that I make a specific
6 recommendation, other than they should seriously consider
7 that and review that in regards -- in relation to all the
8 other things that they review.

9 Q. So is Craw-Kan the only ILEC that you have
10 a concern with the redefinition?

11 A. I believe it's the only one that I have a
12 concern about the cream skimming. As I mentioned earlier,
13 there are four of them that I think no redefinition is
14 necessary because there's no service being provided there.

15 Q. And do you know the reason for the
16 four-to-one ratio under Craw-Kan? Could that be because
17 of the way U.S. Cellular's territory boundary is laid out?

18 A. Well, the exchanges that they propose to
19 serve that are within their licensed area are higher
20 density exchanges in Craw-Kan than are the exchanges that
21 are further north and outside of their licensed area.

22 MR. POSTON: Thank you. That's all I have.

23 JUDGE WOODRUFF: Thank you. Public
24 Counsel?

25 MR. DANDINO: No questions, thank you.

1 JUDGE WOODRUFF: U.S. Cellular?

2 MR. LaFURIA: No questions.

3 JUDGE WOODRUFF: We'll come up for
4 questions from the Bench, then. Commissioner Appling?

5 QUESTIONS BY COMMISSIONER APPLING:

6 Q. That slipped up on me before I got
7 prepared.

8 A. Go ahead and take a minute.

9 Q. I'm not going to let you off the hook that
10 easy, though. You're out there working with a lot of
11 companies?

12 A. Yes.

13 Q. And most of those are rural companies?

14 A. That's correct.

15 Q. Are any of these companies going to get
16 hurt badly if we approve this ETC? I mean that in a
17 general way, everybody -- you know, I mean in this country
18 somebody's going to stay in business and somebody's going
19 to go out of business. That's just a given.

20 A. Well, I mean, as I point out in my
21 testimony, for most of these companies, virtually all of
22 them, there is more than one cellular provider that's
23 already providing service in their area and competing with
24 the company. And this map shows U.S. Cellular's coverage.
25 It doesn't show coverage of the other wireless carriers,

1 and I do have some schedules in my testimony that show
2 some certainly at a lesser detail level and marketing kind
3 of maps, as opposed to propagation analysis.

4 Virtually all the companies do have
5 wireless providers that are serving in their areas. There
6 are -- they are experiencing competition. Customers have
7 choices already. As to how much additional harm they will
8 specifically have from U.S. Cellular being designated, I
9 mean, one of the harms will be a harm that will be
10 suffered not only by them but by companies throughout the
11 country in terms of the amount of additional USF that will
12 have to be paid.

13 There's certainly the more competition
14 there is, the decreases -- or potentially decreases, it
15 can have both sides. In some ways it may increase
16 investment, but in other cases it may make investment
17 decisions more difficult to continue to maintain and
18 improve service in those areas, because generally to
19 provide that additional investment there's a fairly fixed
20 amount, and if the number of customers that they
21 ultimately have and the number of access minutes they
22 provide go down, there's a greater risk in terms of the
23 amount of revenue that will be able to be generated by
24 that investment.

25 Q. So is it a -- am I right that I gather

1 that you do not support the approval of the ETC for U.S.
2 Cellular?

3 A. For U.S. Cellular, you know, I think the
4 Commission needs to look at it on an individual area
5 basis. There are certainly some areas where they provide
6 better service and perhaps meet the throughout the service
7 area requirement. Others they don't. I think that U.S.
8 Cellular's application in general is not nearly as strong,
9 for example, as Mid-Missouri's application is, where they
10 provide substantially better service throughout their
11 area.

12 And yes, our general position is we don't
13 think U.S. Cellular is -- for a number of reasons met the
14 standards that are established, including the fact that
15 their plan for the 16 towers only covers approximately --
16 well, a third to half of the money that they would be
17 anticipating to get in the first 18 months of the plan,
18 which is the plan -- the time frame under which they
19 indicated they would be making that investment.

20 Q. You may not, but do you have any feel for
21 the customers out in the rural part of the country that
22 don't have cell service, do you have a feel whether they
23 are waiting for that to come to their area? Are they not
24 that anxious about it? What's the feeling out there?

25 A. I think it varies by customer. I think

1 some of them are probably anxious to have it. Some of
2 them with whatever carrier they have and, you know, those
3 that are anxious to have it probably have purchased cell
4 service from somebody, because there's relatively few
5 areas in the state where there isn't any cell service.
6 Customers would like that improvement. Other customers
7 probably could care less.

8 Q. Is there anything else you would like for
9 me to consider once you have gone from Jefferson City?

10 A. Well, I -- you know, in looking at the
11 overall issues before the Commission, I think the
12 Commission needs to look carefully at the statutory
13 requirement, which specifically indicates that an ETC
14 should provide service throughout the service area before
15 it's designated, not after. I think it's important to
16 look at this on an individual ILEC study basis, and I
17 think U.S. Cellular may meet the requirement better in
18 some study areas than others.

19 Certainly in areas like BPS and Grand
20 River, where they provide no service -- I mean, BPS is
21 perhaps the best example -- no service anywhere near, and
22 go to their website and they say, we don't offer service,
23 it seems strange to -- to give them that designation at
24 that point in time.

25 But I think looking at it on an individual

1 study area is an important item that the Commission ought
2 to do, and I think that is also within the frame of the
3 statute and it needs to be looked at on an individual
4 study area basis.

5 COMMISSIONER APPLING: Thank you very much,
6 Robert.

7 JUDGE WOODRUFF: I don't have any
8 questions, so we'll go to recross beginning with
9 CenturyTel.

10 MR. ZOBRIST: No questions.

11 JUDGE WOODRUFF: SBC?

12 MR. GRYZMALA: No questions.

13 JUDGE WOODRUFF: Staff?

14 MR. POSTON: No questions.

15 JUDGE WOODRUFF: Public Counsel?

16 MR. DANDINO: No questions.

17 JUDGE WOODRUFF: U.S. Cellular?

18 MR. LaFURIA: Just one, your Honor.

19 RE-CROSS-EXAMINATION BY MR. LaFURIA:

20 Q. Good morning, Mr. Schoonmaker.

21 A. Good morning.

22 Q. I would just like to read for you, and then
23 ask you a follow-up question, 214(e)1 of the federal
24 statute, about which this proceeding is all about, states,
25 the common carrier designated as an eligible

1 telecommunications carrier under paragraphs 2, 3 or 6
2 shall be eligible to receive universal service support in
3 accordance with Section 254 of this title and shall
4 throughout the area for which designation is received, A,
5 offer the services that are supported by the federal
6 universal service support mechanism under 254(c) of this
7 title, either using its own facilities or a combination of
8 its own facilities and resale of another carrier's
9 services (including the services offered by another
10 eligible telecommunications carrier).

11 In the question that Commissioner Appling
12 just asked you, you said that the company has to serve
13 throughout the area before it can be designated. Is your
14 testimony that the company has to build throughout the
15 area before it can be designated?

16 A. No. It has to serve throughout the area.

17 Q. And how may it do that? How may it comply
18 with what I just read to you in the statute?

19 A. You just read it. That could include
20 resale. There was testimony yesterday given about the
21 fact that in BPS's area that customers could get your
22 service and use roaming -- or I looked at the exhibits
23 that were included in my testimony and Mr. Wright's, I
24 believe, that describe your plans, and they indicate that
25 if a customer had your service in BPS's service area in

1 Parma, that the minutes they use would not be part of
2 their normal minutes, but they would be charged 30 cents a
3 minute.

4 So yes, you could provide service on a
5 resale basis there. I don't think a 30 cent a minute plan
6 provides a particular service that's within the public
7 interest criteria. That would be a very expensive plan
8 for a customer to use.

9 Q. Is it a fair characterization of U.S.
10 Cellular's position in this case that what it wants to do
11 is to get funds to help it build out in those emerald
12 areas and beyond, to get out there, and if it can't get
13 there immediately in those white areas, it will do its
14 best and use resale to get there in the meantime until it
15 can build? Is that a fair characterization of U.S.
16 Cellular's position? Do you agree with that?

17 A. That's basically what you've said, yes.

18 MR. LaFURIA: That's all I have.

19 JUDGE WOODRUFF: Thank you. Redirect then?

20 MR. ENGLAND: No questions, your Honor.

21 JUDGE WOODRUFF: All right. Then,
22 Mr. Schoonmaker, you can step down. You can step down.

23 (Witness excused.)

24 JUDGE WOODRUFF: Next witness then is
25 Mr. Stidham for SBC.

1 (Witness sworn.)

2 JUDGE WOODRUFF: You may be seated, and you
3 may inquire.

4 MR. GRYZMALA: Thank you, your Honor. Good
5 morning, Commissioners.

6 JAMES STIDHAM, JR. testified as follows:

7 DIRECT EXAMINATION BY MR. GRYZMALA:

8 Q. Would you state your full name for the
9 record.

10 A. My name is James Edward Stidham, Junior.

11 Q. And by whom are you employed?

12 A. I'm employed by SBC Services, Inc., a
13 subsidiary of SBC.

14 Q. That would be an affiliate of Southwestern
15 Bell, LP, doing business as SBC Missouri?

16 A. Yes.

17 Q. Are you the same James Stidham that
18 prepared and caused to be filed in this matter what has
19 been marked and what is before you for purposes of
20 identification respectively Exhibit 17 and 18?

21 A. Yes, I am.

22 Q. Would you identify or would you confirm
23 that Exhibit 17 is your rebuttal testimony filed in this
24 matter?

25 A. Yes, it is.

1 Q. And Exhibit 18 is your surrebuttal
2 testimony filed in this matter, sir?

3 A. Yes, it is.

4 Q. Do you have any changes or corrections to
5 either of these pieces of testimony, sir?

6 A. No, I do not.

7 Q. And just for the record, for information,
8 none of the testimony therein is highly confidential?

9 A. That's correct.

10 Q. If I were to ask you, sir, the same
11 questions as are contained in Exhibit 17 and 18 today,
12 would your answers be the same?

13 A. Yes, they would.

14 MR. GRYZMALA: With that, your Honor, I
15 would offer into evidence Exhibits 17 and 18.

16 JUDGE WOODRUFF: 17 and 18 have been
17 offered into evidence. Are there any objections to their
18 receipt?

19 MR. LaFURIA: No objection, your Honor.

20 JUDGE WOODRUFF: Hearing none they will be
21 received into evidence.

22 (EXHIBIT NOS. 17 AND 18 WERE RECEIVED INTO
23 EVIDENCE.)

24 MR. GRYZMALA: Your Honor, if I might,
25 before tendering the witness, I would note yesterday, if I

1 recall, Mr. LaFuria was given the opportunity to ask a
2 policy related question of his witness, and I would like
3 the same courtesy on one point.

4 I would also like to ask one question, if I
5 may, with potential follow-up with regard to Exhibits 1, 2
6 and 3, which you will recall prior to yesterday were
7 marked as HC. Therefore, my client was unable to view
8 them, and he's only been able to view them as of yesterday
9 afternoon.

10 JUDGE WOODRUFF: All right. Go right
11 ahead.

12 MR. GRYZMALA: Thank you so much.

13 BY MR. GRYZMALA:

14 Q. Yesterday there was some discussion with
15 Mr. Wood, Mr. Stidham, regarding the portion of 214(e) (1)
16 we just heard counsel read, which in a word requires that
17 there be service deployed, quote, throughout the service
18 area for which the designation is received. Were you here
19 for that testimony?

20 A. Yes, I was.

21 Q. And do you recall the suggestion made by
22 Mr. Wood that that statutory requirement has been
23 consistently rejected by the FCC?

24 A. I heard his testimony. Yes, I did.

25 Q. And how would you respond to that?

1 A. Well, I think that there's an important
2 thing to remember about 214 and how the Commission has
3 dealt with it in the past, and that is, they have
4 prohibited a state from requiring a carrier from serving
5 throughout its territory as a condition of being granted
6 ETC status. In other words, if you don't serve the whole
7 area, you can't become an ETC.

8 That doesn't change the law that says after
9 you become an ETC, you have an obligation to provide
10 service throughout the area. So while one would prevent
11 you from being able to provide service, the other is a
12 demand or requirement of you after you become an ETC.

13 Q. Would another aspect of that analysis
14 likewise turn on what would constitute a reasonable
15 request under the FCC's orders?

16 A. I believe it would. The FCC has said that
17 a carrier needs to provide service based -- or to provide
18 service upon reasonable request. There's two things to
19 remember, I think, or two things to know about this. The
20 FCC's never defined what reasonable was and left it to the
21 states, and so there's a certain amount of ambiguity as to
22 what is reasonable. I think what might be reasonable to
23 me would be unreasonable to another person. So that's
24 kind of vague.

25 The other thing is, is the FCC in its most

1 recent order, the ETC order, has stated of that -- or I
2 should say it strongly recommends or encourage states to
3 harmonize its line extension rules and carrier of last
4 resort obligations on the new ETC. They want to see that
5 it's being done in a similar manner or would like states
6 to treat the new ETC and its obligations similar to how
7 the incumbent or other ETCs are currently being obligated.

8 MR. GRYZMALA: May I approach the witness,
9 your Honor?

10 JUDGE WOODRUFF: You may.

11 BY MR. GRYZMALA:

12 Q. Mr. Stidham, I've handed you what is a
13 single page of the Commission's, that is the Federal
14 Communications Commission's ETC designation order of March
15 of this year. And specifically I want to direct your
16 attention to paragraph 21, which is devoted to the point
17 you just made, and I want to ask you to identify and read
18 those portions of the FCC order which bear directly upon
19 what you just told the Commissioners and your Honor.

20 A. The exact language is, for example, states
21 that adopt these requirements should determine pursuant to
22 state law what constitutes a reasonable request for
23 service. In addition, we encourage states to follow the
24 Joint Board's proposal that any build-out commitment
25 adopted by states be harmonized with any existing policy

1 regarding line extensions and carrier of last resort
2 obligations.

3 MR. GRYZMALA: Your Honor, that's all I
4 have on the one follow-up point. I just wanted to finish.

5 JUDGE WOODRUFF: Go right ahead.

6 BY MR. GRYZMALA:

7 Q. Prior to the declassification of Exhibits 1
8 and 2, which occurred yesterday, you had had no
9 opportunity to review the maps that constituted Exhibits 1
10 and 2, correct?

11 A. That is correct.

12 Q. Now, since counsel has since declassified
13 that information, that is the Exhibit 1, which is the list
14 of -- or a depiction of the existing coverage today, and
15 Exhibit 2, which would be a projected coverage of the --
16 or projected depiction of the coverage tomorrow, that is
17 after the 16 tower build-out, you have had an opportunity
18 to view those charts?

19 A. I have spent a few minutes, yes.

20 Q. Based on your brief review, have you an
21 opinion as to whether the 16 towers that U.S. Cellular
22 proposed to build will afford improved signal coverage,
23 quality or capacity in the areas encompassed by the
24 146 SBC Missouri wire centers for which U.S. Cellular
25 seeks designation in?

1 A. I've looked at them, and it doesn't appear
2 that there's much, if any, additional coverage in SBC's
3 territory. I think the impact is minimal or
4 insignificant.

5 MR. GRYZMALA: Those are all the questions
6 I would have, your Honor. With that, I would tender the
7 witness.

8 JUDGE WOODRUFF: All right. Thank you.
9 For cross we begin with CenturyTel.

10 MR. STEWART: No questions, thank you.

11 JUDGE WOODRUFF: Small Telephone Group?

12 MR. ENGLAND: No questions.

13 JUDGE WOODRUFF: Staff?

14 MR. POSTON: No questions.

15 JUDGE WOODRUFF: Public Counsel?

16 MR. DANDINO: No questions, your Honor.

17 Thank you.

18 JUDGE WOODRUFF: U.S. Cellular?

19 CROSS-EXAMINATION BY MR. ZOBRIST:

20 Q. Good morning.

21 A. Good morning.

22 Q. I just have a couple questions. On the
23 paragraph 21 that you just read from the designation, the
24 Federal Communications Commission about harmonizing with
25 existing state policies, do you agree that that might be a

1 very good topic to deal with in the rulemaking that the
2 Commission has opened?

3 A. I believe it can be looked at during this
4 proceeding, but it also can be part of the rulemaking.

5 Q. Now, in your testimony, I believe it's page
6 7 -- and pardon me. I'm not sure if that's your direct or
7 your surrebuttal. I believe it's your surrebuttal, but
8 let me check. It's where you made a recommendation that
9 of the Commission hold this proceeding in abeyance. Do
10 you remember that, sir?

11 A. That is in my rebuttal, I believe, line 22
12 on page 7.

13 Q. Right. That's correct.

14 A. Okay.

15 Q. Now, you testified here this morning that
16 you're familiar with the March 17 designation order; is
17 that correct?

18 A. Yes, I am.

19 Q. And is it fair to say that you're familiar
20 with the other Reports and Orders that have been issued by
21 the Federal Communications Commission on universal service
22 topics?

23 A. I would say I probably have a general
24 knowledge of many of them.

25 Q. Was there any suggestion in the March 17th,

1 2005 designation order that state commissions should hold
2 pending applications in abeyance?

3 A. The FCC order did not say to hold them in
4 abeyance. I provided what I think would be a solution to
5 two issues of a rulemaking versus a policy.

6 Q. In fact, the FCC, assuming it has the power
7 to do so, declined to mandate that state commissions adopt
8 all requirements for ETC designations, is that correct,
9 sir?

10 A. Yes, it did.

11 Q. In fact, it called the guidelines
12 permissive and recommended that states adopt them but
13 called them permissive, correct?

14 A. The FCC provided the states as a suggestion
15 or guide that they would -- that states can use to deal
16 with ETC applications.

17 Q. Now, subsequent to the March 17th order
18 there have been at least two orders that have been issued
19 on ETC applicants. One was a couple of weeks ago on RCC
20 in New Hampshire; is that correct?

21 A. I haven't seen that one.

22 Q. You're not familiar with that order?

23 A. I'm not familiar, no.

24 Q. Are you familiar with the Ntelos,
25 N-t-e-l-o-s?

1 A. I have seen it. I mean, if you have a
2 question, I can certainly --

3 Q. My question is, in those recent orders,
4 they granted ETC status and required those carriers to
5 file a five-year plan in October 2006?

6 A. That is correct. The FCC as part of its
7 rulemaking and the Order that it issued by which it must
8 operate said that until these rules became effective, they
9 could not act upon them. These suggestions to the
10 Commission are not rules, and they have the ability to use
11 them today.

12 Q. And my only point is the FCC did not
13 require a five-year plan to be in front of it before
14 acting on these companies' applications?

15 A. The problem again was the rules didn't
16 allow it, and the FCC's rules by which they operate
17 wouldn't allow it.

18 Q. Sir, my question is, in these cases -- and
19 maybe you're not familiar with them, but in these cases
20 subsequent to the March 17th order, isn't it true that
21 they did not require to have a five-year plan before them
22 in acting upon those applications?

23 A. As I understand it, that is correct.

24 Q. Now, you made a reference in your rebuttal,
25 sir, if you'd turn to that, page 12, to the potential for

1 cream skimming; is that correct? Maybe I got it wrong.

2 Maybe it's your -- maybe it was your direct.

3 A. I think you're referring to line 11 on
4 page 12, possibly?

5 Q. I'm sorry. I think it's page --

6 A. 13?

7 Q. Well, you know, I stayed up too late to
8 watch that White Sox game. So let me ask you a general
9 question, and I'll see if I can find that cream skimming
10 analysis later. The cream skimming points that you made,
11 sir, aren't they applicable to rural incumbent local
12 exchange companies?

13 A. What SBC has said to the Commission is that
14 the same conditions that the FCC was concerned about for
15 rural carriers, the averaging of cost, the ability to come
16 in and serve only a portion of the area, can exist for a
17 non-rural carrier who's receiving in this case IAS money.
18 A single wire center of SBC's for purposes of the type of
19 analysis of cream skimming could be done at a wire center
20 level, because the support in a wire center is averaged,
21 just as the support in most study areas is averaged.

22 So what we've simply said is, there is a
23 concern by SBC that a carrier could come into an area
24 where we provide service into a single wire center,
25 provide service to something less than the full wire

1 center where it's least expensive and get USF high-cost
2 support or IAS support without serving the more expensive
3 areas.

4 Q. I've now found the page 12 I want. It was
5 in your rebuttal. Pardon me. If you'd turn to page 12 of
6 your rebuttal.

7 A. I'm there.

8 Q. Okay. The question that you asked there
9 had to do with SBC Missouri, and we all agree in this case
10 SBC Missouri is a non-rural incumbent local exchange
11 company, correct?

12 A. That is correct.

13 Q. Now, on the next page, on page 12 of your
14 rebuttal, you've got a footnote down there putting page --
15 pardon me -- quoting paragraph 48 of the ETC Report and
16 Order that we've called the designation order, and that's
17 the March 17, 2005 order, correct?

18 A. Yes.

19 Q. Doesn't that paragraph 49 there deal
20 exclusively with rural incumbent local exchange company,
21 companies that are not like SBC Missouri?

22 A. Yes. And as I said in the prior answer,
23 the concern here is that while the FCC doesn't address the
24 potential for cream skimming within a wire center of a
25 non-rural carrier receiving support, it is almost as

1 though the FCC assumed there would not be a carrier who
2 went below the wire center level.

3 Q. All right. But to be clear, the FCC
4 doesn't have any concerns about cream skimming with
5 companies like SBC Missouri, correct?

6 A. They have said that they -- they have said
7 there is no reason to be concerned.

8 Q. And, in fact, in paragraph 52 of the
9 designation order, they said, quote, we find that a cream
10 skimming analysis is unnecessary for ETC applicants
11 seeking designation below the service area level of
12 non-rural incumbent LECs?

13 A. I don't have the ETC order in front of me,
14 so I can't verify that it's paragraph 52, but I am aware
15 of that paragraph.

16 Q. Okay. Thank you. Just one or two other
17 points. You in your surrebuttal picked up on the word
18 ubiquitous. I believe it was around page 2, lines 13
19 through 16; is that correct?

20 A. Just a second. 2 through -- 2 through 16,
21 yes.

22 Q. Now, there is no requirement in federal law
23 that an ETC applicant like U.S. Cellular be providing
24 ubiquitous service at the time of its application,
25 correct?

1 A. That's correct.

2 Q. And I think as you testified when your
3 counsel was asking you questions, there is no requirement
4 that an ETC applicant be providing service throughout the
5 proposed area at the time of its application?

6 A. That is correct. They do not have to do it
7 before they become an ETC.

8 Q. And, in fact, since the year 2000 when the
9 Federal Communications Commission issued the South Dakota
10 preemption order, it said that, we find that a
11 telecommunications carrier's inability to demonstrate it
12 can provide ubiquitous service at the time of its request
13 for designation as an ETC should not preclude its
14 designation as an ETC. Does this sound correct?

15 A. That is correct, and I don't believe my
16 testimony said that prior to being granted ETC status a
17 carrier needed to provide service throughout.

18 MR. ZOBRIST: That's all I have, Judge.

19 Thanks very much.

20 JUDGE WOODRUFF: Thank you. We'll come up
21 for questions from the Bench. Commissioner Clayton?

22 QUESTIONS BY COMMISSIONER CLAYTON:

23 Q. I'll try to move through these questions
24 quickly. Is it Mr. Stidham?

25 A. Stidham. So I get bad cop first?

1 Q. Yeah. Yeah. Soften me up as you like. I
2 want to make sure I'm clear on the position of SBC in this
3 matter. Does SBC believe in any instance where a wireless
4 company should be designated as an ETC?

5 A. I believe we do. I think that the
6 statement I would make is this: We're not necessarily
7 opposed to wireless getting ETC. All we're asking is that
8 a reasonable standard be used to determine whether they
9 qualify or not.

10 Q. Okay. What standard is that?

11 A. We've asked this Commission to use the ETC
12 order as a basis. I will tell you that I'm involved in --
13 I think it's nine states right now, and -- with ETC
14 applications, and that is the position we're taking in all
15 of them.

16 Q. How much authority does SBC believe this
17 Commission has in attaching conditions to the request? Do
18 you believe we can go beyond the ETC order?

19 A. I believe that the FCC Texas Public
20 Utility -- I'm trying to remember correctly, TPUC, the
21 consumer counsel, as it were, in Texas, there was a
22 lawsuit and the Fifth Circuit said that the state has the
23 additional authority to add additional requirements.

24 Q. And does SBC agree with that analysis?

25 A. We would prefer that you didn't add, but we

1 don't deny that you have that ability.

2 Q. So you're asking that we only do what the
3 ETC order suggests and don't go beyond that?

4 A. That is correct.

5 Q. Okay. Do you believe that the Commission
6 has the ability to pick and choose what exchanges are
7 served under the build-out plan?

8 A. I -- I think that the Commission certainly
9 can express its preferences to the wireless carrier. I'm
10 not sure that I would say the Commission has the authority
11 to say, these are the areas you have to serve.

12 Q. I appreciate that explanation. Is the
13 answer yes or no? Do you believe the Commission has the
14 authority to pick and choose which exchanges would be
15 served under the build-out plan?

16 A. I think they can set the conditions, so I
17 guess yes.

18 Q. Okay. Do you believe that the Commission
19 has the ability to set a certain criteria or level of
20 service required of the wireless company for ETC
21 designation in a given location? And if you need a
22 definition of level of service, I suppose it could mean
23 geography, it could mean -- I'm not sure what it could
24 mean. The quality of service.

25 A. I believe that there is -- that the

1 Commission does have that authority.

2 Q. Do you believe that the Commission has the
3 ability to require wireless companies to have some sort of
4 provider of last resort obligation, similar to what the
5 incumbent would have?

6 A. The problem for me with carrier of last
7 resort -- and I'm sorry if I speak too much here -- is
8 that in dealing with it in 13 states with SBC, I've never
9 gotten a real solid answer to what exactly it meant. For
10 me personally, the serve throughout and serve all
11 customers who request service appears personally to me to
12 be a carrier of last resort obligation. Whether that is
13 what the State of Missouri requires of a carrier licensed
14 by it, I'm not sure.

15 Q. Do you believe that the Commission has the
16 authority to require a wireless company to submit to your
17 complaint process in the jurisdiction of the Commission?

18 A. As I said, you have the authority in
19 granting the ETC application and the process to require
20 based on FCC TPUC, pretty much anything you want. I will
21 say that I know, based on 332, that you can't require
22 rates and certain other things. So I'm saying you have
23 pretty broad authority.

24 Q. Okay. Is that a yes?

25 A. Yes.

1 Q. Okay. Thank you. Does SBC have a
2 suggestion as to how the Commission would look at
3 different areas around the state in terms of the level of
4 service that would be provided by an applicant for ETC
5 designation?

6 A. I'm not sure. I'm sorry. I'm not sure I
7 understand what you're asking.

8 Q. Does SBC have a suggestion as to what areas
9 of the state this Commission should be looking at for U.S.
10 Cellular to be doing their build-out plan?

11 A. As funny as it sounds, I'd like to see
12 towers in our areas. I'd like to see the customers who
13 are in our territories having the ability to have a cell
14 phone, where they may not today.

15 Q. I appreciate that, because it would be
16 probably SBC would care a little less if we require
17 designation or cell tower designation for Lewistown, Ewing
18 or other communities in other parts of the state where
19 you're not the incumbent. And that's an easy answer. But
20 you would agree that you would prefer to see more service
21 in your own territory as well?

22 A. Yes.

23 Q. Do you think it's relevant to look at a
24 particular exchange and whether it's been designated as
25 competitive in Missouri or not?

1 A. Actually, I don't. I think that the idea
2 is that service is good, whether the exchange is
3 competitive or not. I think that having the service
4 available is the key.

5 Q. Should this Commission look at individual
6 customers and whether they're experiencing a certain
7 amount of competition in each of the exchanges in
8 assessing whether ETC designation should be given or not
9 or whether a build-out plan should include a particular
10 exchange?

11 A. Could you repeat the question?

12 Q. Sure. Let me give you an example. Well,
13 help me with an example. Which of -- are any of the
14 existing U.S. Cellular sites that were listed on
15 Exhibit 1, are any of those located in SBC exchanges?

16 A. I believe so.

17 Q. Pick one.

18 A. I don't have -- I don't have my exchange
19 map, and I can't see from here where we --

20 Q. That's all right. Would you pass that
21 exhibit to the witness, please?

22 A. This may not work.

23 Q. I've handed you a copy of Exhibit No. 1,
24 and I'm not sure who offered this, and I know the type is
25 very small. All I need is one.

1 A. My apologies, but there's type on here?

2 MR. ZOBRIST: Commissioner, I can bring
3 over the blow-up of the U.S. Cellular exhibit.

4 COMMISSIONER CLAYTON: Sure.

5 JUDGE WOODRUFF: If the witness wants to
6 walk over to the map, he can do that, too.

7 THE WITNESS: I apologize.

8 COMMISSIONER CLAYTON: Who supplied this
9 piece of paper?

10 MR. ZOBRIST: We did, because we thought it
11 would show the perceptiveness of Commissioner eyesight.

12 COMMISSIONER CLAYTON: It shows you've got
13 very interesting printers.

14 MR. ZOBRIST: There is a blow-up of three
15 feet by four feet that we have here in the hearing room.

16 BY COMMISSIONER CLAYTON:

17 Q. Do you see one? All I need is one.

18 A. Areas that are ours aren't labeled as ours.

19 Q. Are you saying the exhibit's not accurate?

20 A. Well, as I understand it, we serve
21 St. Louis, and it's here as someone else.

22 MR. ZOBRIST: If you take No. -- I think
23 it's 40 or 41, the legend is one off on that one. It's
24 correct on the regular one.

25 MR. GRYZMALA: The exhibit was always one

1 digit off. 39 was indicated when it should have been 40.

2 MR. ZOBRIST: Seneca Telephone does not
3 have SBC territory.

4 THE WITNESS: That's why I was so confused.

5 BY COMMISSIONER CLAYTON:

6 Q. Take for example if you go south of
7 St. Louis, there's some existing U.S. Cellular coverage
8 south of St. Louis, and that's all SBC territory, correct?

9 A. Yes.

10 Q. Pick one of those exchanges.

11 A. DeSoto.

12 Q. DeSoto. Okay. If DeSoto customers are in
13 an exchange that has been declared competitive where there
14 is no pricing regulation for wireline service, should this
15 Commission look at the exchange differently in terms of a
16 build-out plan in granting ETC designation for the
17 wireless companies serving that area?

18 A. Should you look at it differently?

19 Q. I can ask the question in a different way
20 to make you feel better because I understand you're
21 conflicted. We may not have time to answer the question
22 before lunch.

23 Let's talk about Lewistown, which is served
24 by a different ILEC. Okay. Lewistown had listed in its
25 competitive classification case service provided by U.S.

1 Cellular, and yet you look at this map and Lewistown is on
2 the periphery of U.S. Cellular coverage, at least I think
3 in terms of looking at the map. Should this Commission
4 look at Lewistown differently, in that it -- the customers
5 face pricing deregulation, the ILEC can price however they
6 wish, and U.S. Cellular was listed as one of the
7 competitors under our statute as providing service in that
8 area? Should this Commission look as a requirement for
9 granting ETC status enhancing the service of U.S. Cellular
10 in that exchange?

11 A. I think I understand the question better
12 the way you phrased it the second time.

13 Q. I know it's always better when we focus on
14 someone else.

15 A. I think the problem isn't that you were
16 focusing on SBC. The statement I would make is that I
17 view providing additional coverage or promoting coverage
18 in a competitive exchange makes perfect sense. I don't
19 have any concerns about that. The problem that I was
20 having, the conflict I was having was focusing on them to
21 the detriment of someone who wasn't in a competitive area.

22 I mean, while allowing or having U.S.
23 Cellular, for example, go into that exchange that's
24 competitive and provide better service is obviously better
25 for the consumer. That's true. I won't disagree. The

1 concern I had was, but at the detriment of someone who's
2 in the next wire center or the next exchange or the next
3 company who then has to sit and wait for service.

4 Q. I understand. I understand. If you look
5 at a customer, though, if you compare those two customers,
6 where you have one customer that perhaps is experiencing
7 competition or perhaps a higher level of competition, if
8 this Commission were to look at the impact on the customer
9 rather than the impact on the company, wouldn't that be a
10 relevant way of looking at this and designating our
11 priorities?

12 A. I think it makes perfect sense to do that,
13 and I would agree. That's fine.

14 Q. Okay. Thank you.

15 A. As much as you need my permission in it.

16 COMMISSIONER CLAYTON: No, that's quite all
17 right, and I appreciate your candor. Thank you.

18 JUDGE WOODRUFF: Commissioner Appling, do
19 you have any questions?

20 COMMISSIONER APPLING: Just one or two, I
21 think.

22 QUESTIONS BY COMMISSIONER APPLING:

23 Q. You see when we throw in the bad cop, I can
24 just ride for nothing.

25 Anyway, go to page 10 of your rebuttal

1 testimony. There was a question asked you about the ETC
2 status of the application for U.S. Cellular and should it
3 be granted, and your answer was no, correct?

4 A. Is that rebuttal or surrebuttal? I'm
5 sorry. I opened the wrong page.

6 Q. Rebuttal, page 10.

7 A. Yes, sir.

8 Q. Okay. Is there anything else that you can
9 add to help me out with this, going to public interest?
10 That seemed to be an area I keep coming back to is public
11 interest. Is there anything else you can add, other than
12 what you have written here on this paper?

13 A. Well, a general discussion of public
14 interest I think I would -- that isn't here that I would
15 include is one of the things that I say to commissions or
16 commission staffs or in workshops or where I have an
17 opportunity is, don't forget that the public interest
18 isn't just the 5 percent of the people who are going to
19 benefit from the action, but remember the 95 percent who
20 are going to pay for it.

21 Now, it may be from a cost/benefits
22 analysis we've been tossing around here the last two days,
23 maybe it's okay, maybe that -- maybe asking everybody to
24 pay an extra dime or nickel or quarter or dollar or
25 whatever it is so the small group can have something makes

1 sense. The problem I have in general with the process and
2 something that we've kind of touched on a little bit in
3 this hearing room yesterday and today, but never really
4 touched on real firmly, is that map over there shows U.S.
5 Cellular's service.

6 As U.S. Cellular said yesterday, there are
7 eight other carriers. What part of that map is white when
8 you put all the other carriers over it? Now, if it's
9 still a lot of white, then that's -- supports more so U.S.
10 Cellular's position, because there are a lot of people out
11 there driving down a street through that white section who
12 if they're sick or hurt or as you mentioned, someone died
13 from not having a phone, then yeah, put service out there.

14 But if the reality -- and I don't know what
15 it is. I don't have overlays of the other carriers. So
16 I'm telling this is a matter of principle, not a matter of
17 fact. If the rest of the map is pretty well covered and I
18 can take my phone, be it U.S. Cellular's or Verizon's or
19 whoever's service I'm getting service from and hit 911 in
20 any of those areas that have color on them, then maybe how
21 important it is that you pay -- or provide a U.S. Cellular
22 or someone else money to build out is less. I mean, the
23 real key is not just what is the impact to consumers of
24 U.S. Cellular's coverage, but all. I think that's what
25 I'd ask you to take away.

1 Q. Okay. Thank you. And the last question
2 I'm going to ask you is off the record, if you don't mind,
3 and I just -- this is for fun, not for any other reason.
4 And you are from Texas, right?

5 A. I will tell you I currently live in Texas
6 but I've never been accused of being a Texan. I actually
7 had a friend once say that when someone said, well, Jim's
8 a Texan, and he said, well, that's like saying that
9 elephant got blown up into the tree by the wind, that it
10 was a bird.

11 Q. I just wanted to ask you what did you think
12 about those White Sox?

13 A. I actually was in favor of the White Sox.
14 I was pulling for them.

15 Q. I hear a lot of people from Texas saying
16 that this morning. Thank you very much, and good to meet
17 you.

18 JUDGE WOODRUFF: I don't have any questions
19 about baseball. So we'll go on to recross. For
20 CenturyTel?

21 MR. STEWART: No questions, thank you.

22 JUDGE WOODRUFF: Small Telephone Group?

23 MR. ENGLAND: No questions, thank you.

24 JUDGE WOODRUFF: Staff?

25 MR. POSTON: No questions.

1 JUDGE WOODRUFF: Public Counsel?

2 MR. DANDINO: No questions.

3 JUDGE WOODRUFF: U.S. Cellular?

4 MR. ZOBRIST: No questions.

5 JUDGE WOODRUFF: Any redirect?

6 MR. GRYZMALA: Briefly.

7 REDIRECT EXAMINATION BY MR. GRYZMALA:

8 Q. Just a couple things, Mr. Stidham.

9 Mr. Zobrist pointed your attention to paragraph 52 of the
10 Federal Communications Commission's designation order
11 saying that a cream skimming analysis is unnecessary for
12 ETC applicants seeking designation below the service area
13 level of non-rural incumbent LECs. Do you remember that?

14 A. Yes, I do.

15 Q. That's not the issue here, is it? Is it
16 rather the issue that in 18 of SBC's wire centers, U.S.
17 Cellular has asked designation below the wire center
18 level?

19 A. That is correct.

20 Q. That's the distinction, is it not?

21 A. Yes.

22 Q. And is not the reason for which we argue
23 that the Commission's -- the Federal Communication
24 Commission's discussion regarding cream skimming is
25 analogous to the non-rural environment?

1 A. Yes.

2 Q. Couple of quick things. We would
3 acknowledge -- or you would acknowledge, would you not,
4 Mr. Stidham, that under Section 254(f) of the Act, with
5 regard to the Commissioner's questions, a state may adopt
6 regulations not inconsistent with the Commission's rules
7 to preserve and advance universal service?

8 A. That is correct.

9 Q. And you are -- and to clarify a prior
10 answer, you would acknowledge as well that the Fifth
11 Circuit Court of Appeals held that states are not
12 prohibited from adding additional requirements when
13 designating a carrier as eligible for federal universal
14 support under Texas PUC vs. FCC 183 FD 93, page 418, Fifth
15 Circuit 1999; would that be fair?

16 MR. ZOBRIST: Judge, I'm hesitant to
17 object, but that is a decision of a court of law as
18 opposed to a regulatory commission, and I think that would
19 be asking a legal question of a non-lawyer. I object that
20 it calls for a legal conclusion.

21 MR. GRYZMALA: Your Honor, I would like to
22 be heard.

23 JUDGE WOODRUFF: Go ahead.

24 MR. GRYZMALA: It's directly responsive to
25 a question from the Bench. Do you know of any authority

1 with regard to allowing this state the opportunity to
2 impose additional conditions when designating ETCs? It's
3 directly responsive.

4 JUDGE WOODRUFF: Overrule the objection.
5 You can answer.

6 THE WITNESS: Yes.

7 BY MR. GRYZMALA:

8 Q. And my last question, what is your
9 understanding of the current customer surcharge that folks
10 are billed today for Universal Service Fund support?

11 A. Currently they're being billed at
12 10.2 percent, and approximately 10 percent of that total
13 is supporting high-cost wireless service.

14 MR. GRYZMALA: Thank you. That's all I
15 have, your Honor.

16 JUDGE WOODRUFF: You may step town.

17 (Witness excused.)

18 JUDGE WOODRUFF: I believe that's the last
19 witness. Is there anything else that needs to be --
20 anyone wants to present as far as evidence? I believe
21 everything has come in -- that's been offered has been
22 received. The only other question then is a briefing
23 schedule. I'm looking at -- we'd get the transcript in
24 about two weeks. If I give you 'til December 1st to file
25 Briefs, any objections to that idea?

1 MR. DANDINO: What was the date again?

2 JUDGE WOODRUFF: December 1.

3 MR. ENGLAND: May we go off the record
4 while we discuss that?

5 JUDGE WOODRUFF: I'd rather stay on the
6 record.

7 MR. ZOBRIST: That's agreeable to U.S.
8 Cellular.

9 MR. ENGLAND: My initial reaction is it is
10 not preferable to us because we've got another Brief due
11 that day or shortly thereafter.

12 JUDGE WOODRUFF: Would you want to go a
13 little before that or little after that?

14 MR. ZOBRIST: We prefer before, but I --

15 MR. ENGLAND: I understand, and I
16 appreciate applicant. I think before, we start running
17 into the Thanksgiving holiday, and as any good lawyer, I
18 prefer later as opposed to sooner.

19 MR. GRYZMALA: Even a week, I might throw
20 out, after December 1, give or take a day.

21 JUDGE WOODRUFF: How about December 5th?
22 That's a Monday.

23 MR. ZOBRIST: I think everybody would
24 prefer to avoid a Monday, but the following day.

25 JUDGE WOODRUFF: All right. Then

1 December 6th. December 6th okay with everyone?

2 MR. ENGLAND: I think December 6th will
3 work for us.

4 JUDGE WOODRUFF: December 6th it is, then.
5 And we'll only have one round of Briefs.

6 MR. ENGLAND: Your Honor, I would like the
7 opportunity to file a reply.

8 JUDGE WOODRUFF: Anyone else?

9 MR. ZOBRIST: Judge, I just think with the
10 Prehearing Briefs, and this may be a very contested
11 proceeding, but it's a fairly simple proceeding, and U.S.
12 Cellular certainly thinks that one round of Briefs is
13 adequate.

14 JUDGE WOODRUFF: The Commissioners prefer
15 one round of Briefs also, so we'll stick with one round of
16 briefs.

17 MR. ENGLAND: I suppose that wouldn't
18 prohibit a party requesting to file a reply if they saw
19 something in someone's Initial Brief that was
20 unanticipated?

21 JUDGE WOODRUFF: Certainly you can file a
22 motion if you wish to.

23 MR. ENGLAND: Okay.

24 JUDGE WOODRUFF: Anything else that needs
25 to be brought up while we're on the record?

1 (No response.)

2 JUDGE WOODRUFF: All right. With that,
3 then, we are adjourned.

4 WHEREUPON, the hearing of this case was
5 concluded.

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