

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**REVIEW OF FEDERAL COMMUNICATIONS )  
COMMISSION'S TRIENNIAL REVIEW ORDER ) CASE NO.  
REGARDING LOCAL CIRCUIT SWITCHING ) 2003-00347  
FOR DS1 ENTERPRISE CUSTOMERS )**

**PREFILED DIRECT TESTIMONY  
OF  
CAREY ROESEL  
  
ON BEHALF OF  
  
SOUTHEAST TELEPHONE, INC.**

**November 21, 2003**

---

**JONATHON N. AMLUNG  
1000 Republic Building  
429 W. Muhammad Ali Blvd.  
Louisville, KY 40202  
(502)587-6838  
COUNSEL TO SOUTHEAST TELEPHONE, INC.**



1 carriers are impaired without access to unbundled incumbent LEC local circuit  
2 switching for DS1 enterprise customers.

3

4 **Q. In what way are competitive carriers impaired in these markets?**

5 A. The FCC’s Triennial Review Order opens the door for a finding of impairment due  
6 to market-specific operational or economic conditions. Although operational barriers  
7 may exist, my testimony will focus on economic barriers.

8

9 **Q. What specific economic barriers exist in the rural markets of Kentucky?**

10 A. There is an insufficient density of DS1 enterprise customers in these areas to support  
11 self-provisioned switching. The scale economies that characterize provision of  
12 telecommunications services are apparent. The FCC’s Order makes reference to  
13 “scale economies” or “economies of scale” nearly 90 times. Although the Order did  
14 not recognize individual CLEC impairment based solely on a company’s small scale  
15 of operations, it did find that if a new entrant were considering the full range of  
16 customers that could reasonably be served in a particular market, and an  
17 economically viable scale of operations could not be achieved, there should be a  
18 finding of impairment for that market.

19 Pikeville, Kentucky – where SouthEast Telephone presently operates – is  
20 just such a market. The Company has not prepared a detailed UNE-L model for  
21 rural Kentucky. The timeline of this proceeding did not allow for a complete  
22 study, and the expense does not seem warranted given what would apparently be

1 a situation of extreme switch underutilization. In its Universal Service  
2 proceeding, the FCC estimated the fixed cost of a stand-alone switch at \$486,700  
3 plus \$87 per line. The entire Pikeville market for DS1 enterprise services consists  
4 of approximately 80 DS1s. Neighboring markets are much smaller than Pikeville  
5 which, when combined with substantial transport mileage between the relevant  
6 locations, would limit the usefulness of the switch beyond the Pikeville exchange.  
7 Assuming a 10% market share – or about 8 DS1 enterprise lines – there is simply  
8 insufficient demand to justify switch deployment.

9  
10 **Q. What other areas of Kentucky show evidence of economic impairment?**

11 A. All areas of Kentucky that do not fall within any established Metropolitan  
12 Statistical Areas would likely show insufficient levels of DS1 enterprise service  
13 demand to justify deployment of a stand-alone switch. Further evaluation would  
14 be required to determine if there any points within these areas that would allow  
15 for economically viable aggregation of circuits from surrounding areas such that  
16 sufficient demand could be generated to justify a stand-alone switch.

17  
18 **Q. How would SouthEast provide service to DS1 enterprise customers in rural  
19 areas should UNE-P become unavailable?**

20 A. SouthEast would have no economically viable option to provide service to these  
21 customers in the foreseeable future.

22

1 Q. Does this conclude your testimony?

2 A. Yes.