

VERIFIED DIRECT TESTIMONY

OF

ROBERT F. KOCH

Rates Department

Telecommunications Division

Illinois Commerce Commission

MADISON RIVER COMMUNICATIONS CORP.,
MADISON RIVER TELEPHONE COMPANY, LLC,
and GALLATIN RIVER COMMUNICATIONS, LLC

Joint Application for Approval and Transfer of Control and
Reorganization pursuant to Section 7-203 and Section 7-204,
and for Other Relief

Docket No. 06-0683

November 14, 2006

1 **Q. Please state your name and business address.**

2 A. My name is Robert F. Koch and my business address is 527 East Capitol
3 Avenue, Springfield, Illinois 62701.

4

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

6 A. I am employed by the Illinois Commerce Commission ("Commission") as
7 an Economic Analyst in the Rates Section of the Telecommunications
8 Division.

9

10 **Q. Please describe your educational and occupational background.**

11 A. I received a Bachelor of Science degree in Mathematics and Economics
12 from Illinois State University in 1992. In May of 1997 I received a Master
13 of Science degree in Economics from Illinois State University. During the
14 summer of 1996, I worked as an intern in the Telecommunications Rates
15 Section of the Public Utilities Division with the Commission. Upon
16 graduation, I accepted a position with the Commission as an Economic
17 Analyst in the Rates Section of the Telecommunications Division.

18

19 **Q. Please briefly describe your duties with the Illinois Commerce
20 Commission.**

21 A. My responsibilities include providing expert testimony in docketed
22 proceedings that have cost of service and rate implications for
23 telecommunications services. In the course of my duties, I also review the

24 wholesale and retail tariff filings of telecommunications carriers. Further, I
25 am responsible for reviewing the managerial, technical, and financial
26 capabilities of companies seeking approval to do business in Illinois as
27 competitive local exchange carriers (“CLECs”).

28

29 **Q. What is the purpose of your Direct Testimony in this proceeding?**

30 A. The purpose of this testimony is to review rate, cost, and service quality
31 issues associated with the reorganization plan proposed by Madison River
32 Communications, Corp. (“Madison River”), Madison River Telephone
33 Company, LLC (“Madison River Telephone”) and Gallatin River
34 Communications, LLC (“Gallatin River”), together referred to as “Joint
35 Applicants” under Section 7-204 of the Public Utilities Act (“PUA”).
36 Specifically, Sections 7-204(b)(5), 7-204(b)(6), 7-204(b)(7), and 7-204(c)
37 of the PUA specifically addresses rate and cost issues. Upon review of
38 the Joint Applicant’s filing, I conclude that the reorganization plan satisfies
39 the requirements of the above-referenced PUA provisions and therefore
40 does not have negative rate and cost impacts.

41

42 Service quality standards are maintained in 83 Illinois Administrative Code
43 Part 730. Specifically, Section 7-204(b)(1) specifically addresses service
44 quality issues. With any reorganization, there is potential that resources
45 could be transferred away from the local exchange carrier to a parent or
46 affiliate company, thereby potentially impacting the ability of the carrier to

47 maintain acceptable service quality standards. Upon reviewing the
48 commitments put forth by petitioners, I concluded that no service quality
49 concerns arise from the reorganization plan.

50

51 **Q. Is it your understanding that the Commission previously approved a**
52 **similar reorganization involving the Joint Applicants?**

53 A. Yes. The Commission approved a similar reorganization in Docket 05-
54 0013 on February 24, 2005. Mark A. Hanson and Samuel S. McClerren
55 addressed issues regarding that proposed reorganization for the
56 Telecommunications Division.¹ I am filling the role of those two witnesses
57 in this proceeding and come to similar conclusions.

58

59 ***Rate and Cost Issues***

60

61

62 **Q. What are the requirements of Section 7-204(b)(5) of the PUA?**

63 A. Section 7-204(b)(5) states that, "the utility will remain subject to all
64 applicable laws, regulations, rules, decisions, and policies governing the
65 regulation of Illinois public utilities."

66

67 **Q. Did the Joint Applicants' witness make any statements regarding the**
68 **intent of the Companies with respect to Section 7-204(b)(5)?**

¹ See Verified Statement of Mark A. Hanson, Staff Exhibit 3.0, Docket No. 05-0013, February 8, 2005; See also Verified Statement of Samuel S. McClerren, Staff Exhibit 4.0, Docket 05-0013, February 8, 2005.

69 A. Yes. Joint Applicant witness Michael T. Skrivan specifically acknowledged
70 that the Companies will remain subject to all applicable laws, regulations,
71 rules, decisions, and policies governing the regulation of Illinois incumbent
72 local carriers.² Additionally, Mr. Skrivan testifies that the Company will
73 continue to meet the conditions and requirements previously placed on the
74 carrier in Docket 05-0013.³ For these reasons, I have no rate or cost
75 issues regarding the requirements of Section 7-204(b)(5).

76

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77 **Q. What are the requirements of Section 7-204(b)(6)?**

78 A. This section requires that, “the proposed reorganization is not likely to
79 have a significant adverse effect on competition in the markets over which
80 the Commission has jurisdiction.”

81

82 **Q. In your opinion, will this reorganization have a significant adverse
83 impact on competition?**

84 A. No. As this reorganization is primarily a financial matter, allowing it to
85 proceed should have no adverse impact on competition in the markets in
86 which these companies operate in Illinois.

87

88 **Q. What are the requirements of Section 7-204(b)(7)?**

89 A. This section requires that, “the proposed reorganization is not likely to
90 result in any adverse rate impacts on retail customers.”

² See Joint Applicants' Exhibit 1 at 27.

³ Id at 17.

91

92 **Q. Did the Joint Applicants' witness make any statements regarding the**
93 **intent of the Companies with respect to Section 7-204(b)(7)?**

94 A. Yes. Mr. Skrivan specifically acknowledged that nothing in this
95 reorganization will affect retail rates.⁴ Additionally, Mr. Skrivan testifies
96 that the Company will continue to meet the conditions and requirements
97 previously placed on the carrier in Docket 05-0013.⁵ For these reasons, I
98 have no rate or cost issues regarding the requirements of Section 7-
99 204(b)(7).

100

101 ***Service Quality Issues***

102

103 **Q. Are issues regarding service quality germane to the review of the**
104 **Joint Applicants proposed reorganization?**

105 A. Yes. Section 7-204(b)(1) requires that the entity provide adequate,
106 reliable, efficient, safe and least-cost public utility service.

107

108 **Q. Have the Joint Applicants addressed Section 7-204(b)(1)?**

109 A. Yes. Mr. Skrivan states that the proposed reorganization will enhance
110 Gallatin River's ability to meet this requirement.⁶ Mr. Skrivan notes that
111 Gallatin River's capital expenditures are expected to continue at levels
112 similar to recent years, and that its service quality record far exceeds

⁴ Id at 28.

113 minimum Commission requirements.⁷ Finally, Mr. Skrivan has indicated
114 that the Joint Applicants will agree to meet the more stringent service
115 quality standards established in Docket 05-0013, and are contained in
116 Condition 5 to Mr. Skrivan's testimony.⁸

117

118 **Q. Have you reviewed Gallatin River's most recent service quality**
119 **numbers?**

120 A. Yes. Mr. Skrivan provided Gallatin River's service quality results from the
121 Year 2000 to the present.⁹ I have reviewed these figures, which show that
122 the company does, in fact, exceed the minimum Commission standards.
123 However, the company has failed to meet the more stringent requirements
124 for two service quality measures that it has pledged to meet as part of
125 Condition 5.

126

127 **Q. Has Mr. Skrivan addressed the shortcomings in their most recent**
128 **service quality reports?**

129 A. Yes. Mr. Skrivan addresses the reasons for these anomalies in his direct
130 testimony.¹⁰ I am satisfied with the explanations provided by Mr. Skrivan.
131 As such, I have no issues regarding the Joint Applicant's satisfying the
132 Section 7-204(b)(1) service quality requirements.

⁵ Id at 16 and 28.

⁶ Id at 22.

⁷ Id at 22, 23.

⁸ Id at 18, 19, and 24.

⁹ Id, Schedule C.

¹⁰ Id at 23, 24.

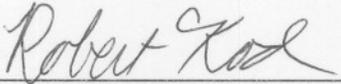
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134 **Q. Does this conclude your Direct Testimony?**

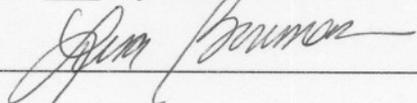
135 **A. Yes.**

3. If asked under oath or affirmation the questions posed in Staff Exhibit 3, I would provide the same answers as reflected in Staff Exhibit 3.

Further affiant sayeth not.


Robert Koch

Sworn or affirmed before me
this 13th day of November 2006.



Notary Public

My Commission expires: 2007

