

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

November 13, 2009 - 9:07 a.m.  
Concord, New Hampshire

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RE: DT 09-136  
UNION TELEPHONE COMPANY:  
Transfer of Assets to TDS Telecom.

**PRESENT:** Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

**APPEARANCES:** Reptg. TDS Telecom:  
Patrick C. McHugh, Esq. (Devine, Millimet...)

Reptg. Union Telephone Company:  
Brian McDermott, Esq. (Synergies Law Group)

Reptg. Residential Ratepayers:  
Rorie Hollenberg, Esq.  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate

Reptg. PUC Staff:  
Robert Hunt, Esq.  
Kate Bailey, Director - Telecom Division  
David Goyette, Telecom Division  
Michael Ladam, Telecom Division

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

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                              DARREN WINSLOW

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PET. 1C	Stock and Asset Purchase Agreement (CONFIDENTIAL)	premarked
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## P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the hearing in docket DT 09-136. On July 31, 2009, Union Telephone Company and TDS Telecommunications filed notification pursuant to RSA 369-A of a Stock and Asset Agreement, pursuant to which Utel, the parent company of Union, would transfer to TDS all of the issued and outstanding shares of capital stock of Union. Order of notice was issued on August 17, scheduled the prehearing conference, which was held on September 17th, and a procedural order was issued on October 8 adopting a procedural schedule, which was subsequently revised, setting the hearing for this morning. And, pursuant to that procedural schedule, a stipulation among the parties was filed on November 10.

Can we take appearances please.

MR. McHUGH: Good morning, Mr. Chairman, Commissioner Ignatius, Commissioner Below. Patrick McHugh, from Devine, Millimet & Branch, on behalf of TDS Telecommunications Corporation. With me is Michael Reed, from TDS Telecommunications Corporation.

CHAIRMAN GETZ: Good morning.

MR. McDERMOTT: Brian McDermott, from the Synergies Law Group, on behalf of Union. With me is

1       Darren Winslow and Ben Thayer.

2                   CHAIRMAN GETZ:   Good morning.

3                   MS. HOLLENBERG:   Good morning.   Rorie  
4       Hollenberg and Ken Traum, here for the Office of Consumer  
5       Advocate.

6                   CHAIRMAN GETZ:   Good morning.

7                   MR. HUNT:   Good morning.   Rob Hunt, for  
8       Staff.   And, with me is Michael Ladam, Kate Bailey, and  
9       David Goyette.

10                  MR. MCHUGH:   My apologies.   Sorry.

11                  CHAIRMAN GETZ:   Good morning.   How do  
12       you wish to proceed, Mr. McHugh, with your presentation?

13                  MR. MCHUGH:   I'm not going to touch it  
14       again, Mr. Chairman.   I promise you that.   I thought we'd  
15       proceed today, Mr. Chairman, in two panels.   The first  
16       would be Mr. Reed of TDS telecommunications and Mr.  
17       Winslow of Union Telephone Company.   And, then, when we're  
18       complete with that testimony, to talk a little bit of  
19       background on the transaction, transition, things of that  
20       nature, proceed with a second panel, which would be  
21       Mr. Reed and Mr. Ladam from the Commission Staff to review  
22       the Settlement Stipulation.

23                  CHAIRMAN GETZ:   Okay.   Anything else  
24       before we proceed?

[WITNESS PANEL: Reed|Winslow]

1 (No verbal response)

2 CHAIRMAN GETZ: Okay. Hearing nothing,  
3 please.

4 (Whereupon *Michael Reed* and  
5 *Darren Winslow* were duly sworn and  
6 cautioned by the Court Reporter.)

7 MICHAEL REED, SWORN

8 DARREN WINSLOW, SWORN

9 DIRECT EXAMINATION

10 BY MR. McHUGH:

11 Q. Mr. Reed, could us please state for the record your  
12 full name and your business address.

13 A. (Reed) It's Michael Reed. Business address is 24 Depot  
14 Square, Northfield, Vermont.

15 Q. And, you're employed by TDS Telecommunications  
16 Corporations, correct?

17 A. (Reed) Yes.

18 Q. And, what's your position, sir?

19 A. (Reed) Manager - State Government Affairs, for the  
20 States of Maine, New Hampshire, Vermont, and New York.

21 Q. Mr. Winslow, could you please state for the record your  
22 full name and your business address.

23 A. (Winslow) My name is Darren Winslow. My business  
24 address is 7 Central Street, Farmington, New Hampshire.

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[WITNESS PANEL: Reed|Winslow]

1 Q. And, Mr. Winslow, you're employed by Union Telephone  
2 Company?

3 A. (Winslow) Correct.

4 Q. And, can you tell us your title and the functions for  
5 Union Telephone please?

6 A. (Winslow) I am the Controller of the Company.

7 Q. Very good. Let me turn to Mr. Reed first. Mr. Reed,  
8 could you please identify for the record the exhibits.  
9 We've marked Petitioners' 1C, for confidential, through  
10 5P, for public. I believe you have a set in front of  
11 you.

12 A. (Reed) Exhibit 1C, confidential, is the Stock and Asset  
13 Purchase Agreement between Union Telephone Company and  
14 TDS Telecommunications Corporation. Exhibit 2C is a  
15 Transition Services Agreement. Exhibit 3P is the  
16 Prefiled Testimony of Michael Reed. Three --  
17 Exhibit 3C --

18 Q. Is that the confidential version of your testimony, Mr.  
19 Reed?

20 A. (Reed) That's right. I'm sorry, the public version  
21 first. Exhibit 3P was the public version of my  
22 testimony. Exhibit 3C is the confidential Testimony of  
23 Michael Reed. Exhibit 4P is the public version of the  
24 Testimony of Darren Winslow. And, Exhibit 5P is the

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1 Stipulation.

2 Q. Mr. Reed, if you put before you please Petitioners  
3 Exhibit 3P and Exhibit 3C. Can you tell us for the  
4 record are you the same Michael Reed who submitted  
5 prefiled testimony in docket DT 09-136, dated  
6 October 16, 2009?

7 A. (Reed) Yes.

8 Q. Do you have any changes or corrections to that prefiled  
9 testimony, Mr. Reed?

10 A. (Reed) No, I do not.

11 Q. Is your prefiled direct testimony true and accurate to  
12 the best of your knowledge and belief, Mr. Reed?

13 A. (Reed) Yes.

14 Q. If you were asked the same questions today, as  
15 contained in your prefiled testimony, would your  
16 answers be the same or substantially the same as they  
17 are in your prefiled testimony?

18 A. (Reed) Yes.

19 Q. Mr. Winslow, could you please put before you your  
20 prefiled testimony, which we've marked as "Petitioners  
21 Exhibit 4P". Are you the same Mr. Winslow who  
22 submitted prefiled direct testimony in this docket on  
23 behalf of Union Telephone Company?

24 A. (Winslow) Yes, I am.



1 Q. And, that was dated October 16, 2009?

2 A. (Winslow) Correct.

3 Q. Do you have any changes or corrections to your prefiled  
4 testimony, Mr. Winslow?

5 A. (Winslow) No, I do not.

6 Q. Is your prefiled direct testimony true and accurate to  
7 the best of your knowledge and belief?

8 A. (Winslow) Yes, it is.

9 Q. If you were asked the same questions today, as  
10 contained in your prefiled testimony, would your  
11 answers be the same or substantially the same?

12 A. (Winslow) Yes.

13 Q. Okay. Mr. Reed, if I could just turn to you please.  
14 And, could you summarize for us your prefiled direct  
15 testimony, which we've marked as "Exhibit 3P" in public  
16 and "3C" for confidential.

17 A. (Reed) In the October 8th order following the  
18 prehearing conference, the Commission identified  
19 several areas that they desired further information on.  
20 So, on October 16th, I filed prefiled testimony. And,  
21 I'll try to summarize some of those data requests or  
22 information requests the Commission had. One, first,  
23 was the actual structure of this transaction, of what  
24 Union Telephone Company was going to be following the

[WITNESS PANEL: Reed|Winslow]

1 transactions. I describe in my testimony that  
2 Telephone & Data Systems, TDS, is the parent company of  
3 TDS Telecom. And, just as Kearsarge Telephone Company,  
4 Merrimack County Telephone Company, Wilton and Hollis  
5 Telephone Companies are wholly owned subsidiaries of  
6 TDS Telecom, Union will also become a wholly owned  
7 subsidiary of TDS Telecom. TDS Telecom Services  
8 Corporation, TDS Service, is the centralized service  
9 company for all the operating telephone companies owned  
10 by TDS Telecom. Union will continue to function as a  
11 separate entity, as KTC, MCT, and WTC and HTC, and will  
12 participate and benefit in the same way with the TDS  
13 Service as the other New Hampshire ILECs. The majority  
14 of the services utilized by the New Hampshire operating  
15 companies are performed by employees of TDS Telecom  
16 Service, like myself.

17 The Commission asked questions regarding  
18 changes in allocations, and I describe in my testimony  
19 the basis for the intercompany allocation method for  
20 costs not directly assigned to Union are provided in  
21 the TDS Master Affiliated Transaction Agreement, MATA,  
22 that's on file with the Commission and has been in use  
23 for several years.

24 The Commission asked questions regarding

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[WITNESS PANEL: Reed|Winslow]

1 employees and benefits. I describe in the testimony  
2 that, following the closing, Union employees may remain  
3 on the Union payroll or may become employees of TDS  
4 Service. Changes that may affect employees, employee  
5 benefits, will be based on the TDS Telecom management  
6 decisions at the change of ownership. Such decisions,  
7 we have not made those decisions as yet.

8 The benefit information is contained in  
9 confidential Exhibit C in my testimony. I cover the  
10 codes of conduct that the Commission asked about.  
11 Pre-conversion, the code of conduct is covered in the  
12 Stock and Asset Purchase Agreement, specifically in  
13 Article VII through XI. And, there's a Transition  
14 Services Agreement as well following that. Following  
15 the transaction, everything will be based on the TDS  
16 MATA that I described earlier.

17 There were a series of questions  
18 regarding the transition. Ranging from the Union  
19 billing, how do we go from the -- migrate from the  
20 Union billing system, other systems that are involved.  
21 And, I tried my best to capture those, the majority of  
22 those in confidential Exhibit A in my testimony. That  
23 covers everything from the billing system, the trouble  
24 repair dispatch system, etcetera. There's a whole list

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[WITNESS PANEL: Reed|Winslow]

1       there. Generally speaking, everything will be  
2       transitioned into the existing TDS systems that are in  
3       use today by all of our subsidiaries, including the  
4       four New Hampshire -- existing New Hampshire  
5       subsidiaries. So, Union's billing system will be  
6       transitioned to the existing TDS billing system.

7               Regarding questions of investment,  
8       there's no specific capital budget right now forecast  
9       for Union. We anticipate that we would spend what  
10      Union has spent in the last year or so. They built out  
11      a great deal of their network. I described what is  
12      going on with the existing TDS companies, how they're  
13      integrated together now, how we've tied them together,  
14      and some new changes that we're making to upgrade our  
15      system and increase our bandwidth and so on.

16             Finally, I cover in my testimony my  
17      opinion as to whether this transaction will be for the  
18      public good and in the public interest. And, I cover  
19      that in some detail. But, in addition to and in  
20      conjunction with the Stipulation that we'll talk about  
21      on the next panel, this transaction will have no  
22      adverse effect on the local rates of Union. There will  
23      be no adverse impact on service, terms or operations of  
24      Union. The jurisdiction of the Commission over the

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[WITNESS PANEL: Reed|Winslow]

1 post merger operations will not change. In addition, I  
2 ask the Commission to recognize the quality network  
3 that TDS has in place in New Hampshire and the changes  
4 that we continue to make.

5 At the same time, while I don't think  
6 there's any -- I know there are no adverse effects,  
7 there are some benefits to this transaction as well to  
8 Union. The Commission's well aware of the competitive  
9 pressures the ILECs in New Hampshire are facing.  
10 Merging Union into the TDS Telecom system and providing  
11 the efficiencies and benefits of shared resources and  
12 access to these networks will help weather those  
13 competitive storms. Impacts on local rates, should  
14 there be any in the future, we'll discuss what we've  
15 agreed to in the Stipulation, but the rate changes will  
16 not be as a result of this transaction. They're more  
17 likely to be as a result of the impacts of competition.

18 And, finally, I ask the Commission to  
19 rely on the demonstrated record that TDS has in this  
20 state and in other states. Just, you know, I mention  
21 that there have been eight acquisitions and mergers in  
22 four different states over the last eight years that I  
23 looked at, they range in size from 800 access lines to  
24 over 40,000 access lines. These ILECs have been

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1       successfully integrated into the TDS operations using  
2       the processes I describe in my testimony. And, we have  
3       proof of that in New Hampshire, where we have  
4       integrated, well, three of the existing companies,  
5       three of the four existing companies fairly recently.

6               In Order -- I describe Order 23,961 and  
7       Order 23,979. In those, the Commission approved the  
8       stipulation whereby the Parties and Staff agreed that  
9       TDS has the requisite financial, managerial, and  
10      operations abilities to oversee these companies. The  
11      Commission -- I ask the Commission to reach that same  
12      conclusion in this transaction.

13             And, finally, TDS respectfully requests  
14      the Commission to expedite this approval process to  
15      allow this transaction to complete.

16   Q.   Mr. Reed, could you please explain to the Commission  
17       any concerns with respect to the timing of receiving an  
18       approval order and how it might impact the closing  
19       timeframe?

20   A.   (Reed) There are some logistics that go with the  
21       closing, and trying to close this as quickly as  
22       possible for everyone involved; the companies and the  
23       employees and benefits and so on, because of end of  
24       year. We're approaching the end of year. If we were

[WITNESS PANEL: Reed|Winslow]

1       able to gain approval of this transaction by  
2       November 20th, we would be able to close by the end of  
3       this month, by November 30th. If we're unable to do  
4       that, we would be closing -- it would probably be  
5       January 1st, and we would ask the Commission for an  
6       order as early in December as possible to make that  
7       possible. There are -- There are a significant amount  
8       of logistics to go through to close the transaction,  
9       but we ask that the Commission work as quickly as  
10      possible to give us approval.

11   Q.   Mr. Winslow, could you please summarize for the  
12       Commission your prefiled direct testimony, sir?

13   A.   (Winslow) Sure. Sure. My prefiled testimony provided  
14       additional information regarding the Union and TDS  
15       Telecom's filing on July 31st, 2009 for the transfer of  
16       Union stock to TDS Telecom. It also provided Union's  
17       position in support for TDS Telecom's testimony.

18               First and foremost, Union supports the  
19       transfer of control of Union to TDS. Union believes  
20       the transfer of control is in the best interest of all  
21       parties involved within Union, especially Union's  
22       customers. TDS Telecom is a strong buyer, interested  
23       in continuing to provide quality services in the Union  
24       territory.

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[WITNESS PANEL: Reed|Winslow]

1 Union does not believe a transfer of  
2 control will adversely affect Union's customers. TDS  
3 Telecom is very experienced, financially secure, and an  
4 operationally strong company that already serves over  
5 100 ILECs in the country, including four in New  
6 Hampshire. TDS has a proven track record of  
7 successfully operating and transitioning ILEC  
8 companies, including the four recent transactions in  
9 New Hampshire.

10 TDS Telecom already has, as Mike spoke  
11 about, operationally sound systems that they will be  
12 able to convert Union's systems to. And, as Mike  
13 talked about, TDS Telecom is also committed to  
14 maintaining Union's existing services and rates for a  
15 period of time. Therefore, Union does not believe the  
16 transfer of control will have an adverse impact on the  
17 rates, terms, service or operations of Union.

18 Personally, I do -- Personally and  
19 professionally, I do have some experience with TDS  
20 transitioning an ILEC. Prior to joining Union, I was  
21 employed by Merrimack County Telephone Company, which  
22 TDS purchased in 2002. I also am a -- was and still am  
23 a customer of Merrimack County Telephone Company.  
24 During that transition process, I didn't see any

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1 transition issues that affected the rates, terms,  
2 service or operations of Merrimack County Telephone  
3 Company.

4 Union has reviewed TDS's prefiled  
5 testimony in this docket and believes TDS has provided  
6 a sufficient description of the transaction and its  
7 impact on customers, employees, and operation systems.  
8 We believe that this information is accurate to the  
9 best of our knowledge. TDS Telecom's testimony, along  
10 with the parties' initial filing on July 31st, provides  
11 a thorough description of the transaction and the  
12 transition process. Again, as previously discussed,  
13 Union does not see any adverse impact due to the change  
14 of control.

15 TDS Telecom's plan for employee  
16 transitions is similar to other transactions and other  
17 mergers, and it is expected that TDS does not have a  
18 complete plan for employee transitions at this point in  
19 time.

20 As discussed above, again, TDS has a  
21 vast amount of experience operating and transitioning  
22 ILECs into its corporate culture. I believe that TDS  
23 Telecom's experience and its New Hampshire track record  
24 are worth more than any written plan or any testimony.

[WITNESS PANEL: Reed|Winslow]

1 My testimony also discussed the  
2 Commission's determination of the proper statute to  
3 review this transaction and how it should affect the  
4 timing of the Commission's approval. Union believes  
5 that the proper statute to review this transaction  
6 should not have any significant effect on the timing of  
7 the Commission approving this transaction. As  
8 previously discussed, I believe the Parties have  
9 provided adequate information so that the Commission  
10 can approve this transaction under any statute. I  
11 believe and hopeful that the Commission can approve  
12 this transaction in a timely manner, as outlined by Mr.  
13 Reed in his words today.

14 I would like to note and elaborate a  
15 little bit on some very important employee matters to  
16 consider in the timing of the Commission approval. The  
17 notice of transaction occurred on July 31st, 2009,  
18 which is obviously several months ago. A merger  
19 agreement between a large and a small company brings an  
20 understandable amount of uncertainty to the employees  
21 of the small acquired company. Employees are working  
22 day to day wondering when the transaction will be  
23 finalized and how it will affect their position with  
24 Union.

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[WITNESS PANEL: Reed|Winslow]

1 A more important significant issue  
2 related to employees is the benefits that Mike spoke  
3 about. If this transaction does not close by November  
4 30th, the coordination of open enrollment for 2010  
5 benefits becomes very, very difficult to process.  
6 Normally, open enrollment is done in early November.  
7 But, at this point, we've sort of delayed that process  
8 and trying to determine when the timing of the  
9 transaction is going to occur.

10 If the closing does not occur prior to  
11 the end of 2009, then it's very likely that employees  
12 are going to have to be on two different -- two  
13 different benefit plans for 2010. If employees are on  
14 Union's plan for a portion of 2010, and then TDS  
15 Telecom's plan for 2010, it's likely they could incur  
16 multiple deductibles. And, more importantly, it's very  
17 hard for them to understand two different benefit plans  
18 and how to plan for the future for their health costs.  
19 These are significant issues for employees. And, until  
20 a closing date is planned, employees are going to be in  
21 limbo, and they're not going to know, you know, how to  
22 plan for their health benefits in 2010.

23 Finally, I would just like to conclude  
24 by saying that TDS Telecom has demonstrated through

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1 prior acquisitions in this state, and many others, that  
2 such a transfer will not adversely affect Union's  
3 customers. We believe a timely transfer of control is  
4 in the best interests of Union's customers, employees,  
5 and all other parties affected by this transaction. In  
6 addition, Union believes transfers -- the transfer puts  
7 Union and its customer in a better long-term position  
8 to adapt to the future regulatory and competitive  
9 environments. Thank you very much for your time.

10 Q. Mr. Winslow, with respect to that last closing  
11 statement, do you believe then that the transactions  
12 contemplated by the Stock and Asset Purchase Agreement  
13 are for the public good and in the public interest?

14 A. (Winslow) Yes, I do.

15 Q. And, if I could just ask a couple of basic questions  
16 with respect to the notification filed by the Parties  
17 -- by the Petitioners on July 31, 2009. Is the capital  
18 stock of Union Telephone Company owned by Utel, Inc.?

19 A. (Winslow) Yes, it is.

20 Q. And, is the sale involving -- I'm sorry, is the  
21 transaction involving a sale of the capital stock of  
22 Union Telephone from Utel, Inc., over to TDS  
23 Telecommunications Corporation?

24 A. (Winslow) Yes.

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[WITNESS PANEL: Reed|Winslow]

1 Q. And, then, are there additional assets that go over to  
2 TDS Telecommunications Corporation?

3 A. (Winslow) Yes, there are.

4 Q. Can you just explain to the Commission who owns the  
5 assets, which entities own those other assets and what  
6 they are?

7 A. (Winslow) There are two other entities that are  
8 involved in the SAPA, the Stock and Asset Purchase  
9 Agreement. One of the entities is Unex, Inc. Unex,  
10 Inc. has certain assets related to Internet services  
11 and other non-regulated services that are related to  
12 the Union service territory that we'll be transferring  
13 to TDS Telecom. The other company is involved in the  
14 transaction is Freedom Ring Communications. Freedom  
15 Ring provides interstate, international long distance  
16 to Union customers today, and that is also included in  
17 the transaction.

18 MR. MCHUGH: Thank you, Mr. Winslow.

19 Mr. Chairman, I have no further direct examination. But  
20 I'm not sure if Attorney McDermott does, on behalf of  
21 Union Telephone.

22 MR. McDERMOTT: No questions.

23 CHAIRMAN GETZ: Thank you.

24 Ms. Hollenberg.

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[WITNESS PANEL: Reed|Winslow]

1 MS. HOLLENBERG: Thank you.

2 CROSS-EXAMINATION

3 BY MS. HOLLENBERG:

4 Q. Mr. Winslow, from your perspective, what services will  
5 TDS provide to Union customers that Union does not  
6 today? Are there any?

7 A. (Winslow) My understanding is that TDS probably will  
8 offer some cable TV services, would be one major one I  
9 would think they would offer. I'm not aware of any  
10 other services at this point.

11 Q. Excuse me. In terms of the proposal that was filed,  
12 would you both agree that Union is transferring all the  
13 assets needed to operate its regulated business?

14 A. (Reed) Yes.

15 A. (Winslow) Yes.

16 Q. And, I guess, similarly, are any of the assets that are  
17 excluded from this transfer needed to operate the  
18 regulated business?

19 A. (Reed) No.

20 A. (Winslow) No.

21 Q. And, could you explain, there was some discussion in  
22 the discovery phase of this case about the length of  
23 time for the TSA, and I guess it's 24 months is  
24 provided for. Could you explain the reason behind that

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[WITNESS PANEL: Reed|Winslow]

1 length of time?

2 A. (Reed) That is definitely on the outside. There was  
3 additional time built in there because of the Internet  
4 transaction transition. If you could look back in my  
5 testimony, in the exhibit, you'll see that we're  
6 looking at the Internet to be the very last, and maybe  
7 the most confusing for customers. They have to change  
8 addresses and so on. There's a great deal of  
9 communication involved. So, we -- we anticipate that  
10 will be done within a year, but we took no chances and  
11 made sure the agreement would cover the length of time  
12 we might need.

13 MS. HOLLENBERG: Thank you. Nothing  
14 further.

15 CHAIRMAN GETZ: Thank you. Mr. Hunt?

16 MR. HUNT: Staff has no questions for  
17 the witnesses.

18 CHAIRMAN GETZ: Commissioner Ignatius.

19 CMSR. IGNATIUS: Thank you.

20 BY CMSR. IGNATIUS:

21 Q. Mr. Reed, I'd like to ask you a little bit more about  
22 investments that you anticipate. You had testified  
23 just a moment ago that there was no hard plan for  
24 investment yet, but you expected it would be at a

[WITNESS PANEL: Reed|Winslow]

1 similar level to what Union had done in the past. And,  
2 in looking at your prefiled testimony, on Page 12, you  
3 gave us numbers from 2007, through your projections --  
4 the projections for 2009. And, they're a fairly wide  
5 span, from \$350,000 to \$1.2 million. So, when you say  
6 you "expect a similar level", help me understand what  
7 "similar level" to such a wide range?

8 A. (Reed) Yes, I could have phrased that better, I think.  
9 It would be what my network people tell me is. We're  
10 going to invest whatever is required to keep the  
11 network flowing the way it is now. It's a very good  
12 network. But, at the same time, we will be making  
13 changes to different parts of the system, routers,  
14 different pieces we need to transfer -- change into our  
15 Internet system. All of that is not costed out yet.  
16 We don't have a price for that. I do not have a  
17 capital budget number. What I can tell you is that the  
18 network will continue to run the way it does, proper  
19 investment will be made. And, in addition to that,  
20 we'll be making these other changes to bring them into  
21 the system.

22 One change, for example, is a fiber  
23 optic connection between one of the existing Union  
24 exchanges to one of the MC -- KTC exchanges, that will

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[WITNESS PANEL: Reed|Winslow]

1 ultimately tie Union in with the other four switches in  
2 the TDS system. And, I describe I think in there where  
3 we try to aggregate the traffic, particularly the  
4 Internet traffic, to get to the larger pipes to the  
5 world and things. So, I don't have a number. I really  
6 don't have a number. That is my best explanation.

7 Q. Is it customary for a company to share with the  
8 Consumer Advocate and the Commission Staff its  
9 expectations for capital investments in advance?

10 A. (Reed) Yes, we do. It's ILEC -- I want to say "32",  
11 but I'm not sure that's the right number now. We did  
12 change that form. I think it's in ILEC 32 where we do  
13 report that number, yes.

14 Q. So, as that becomes clearer to you and certain  
15 decisions made about investments, that could be shared  
16 with the Staff and with the OCA to review?

17 A. (Reed) Yes. Yes.

18 Q. I also wanted to ask you about the employee transition.  
19 On Page 5 of your testimony, you stated that some --  
20 that "employees may remain on the Union payroll or may  
21 become employees of TDS Service". Is that -- explain  
22 what that means, and in terms of day-to-day operations?  
23 Are you running two different sets of employees or is  
24 that just who's making the payroll -- who's cutting the

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[WITNESS PANEL: Reed|Winslow]

1 checks?

2 A. (Reed) Yes. Some employees are directly assigned to  
3 the telephone company. I'll use an example of an  
4 installation repairman/technician, may be directly  
5 assigned to Union. There may be an employee who is in  
6 the accounting, the finance group, that would not  
7 necessarily be directly assigned to Union, but would  
8 work for TDS Services, as I do, and may work on several  
9 different states. Our Finance Department is split up  
10 by payables and, you know, annual reports and they have  
11 different functions. So, outside plant engineering  
12 could be a telephone -- you know, a Services  
13 Corporation. So, as these things are integrated, some  
14 employees maybe end up working for the Services, some  
15 may be directly assigned.

16 Q. Thank you. So, it does not mean that an employee can  
17 choose which company to stay a part of?

18 A. (Reed) That's correct.

19 Q. Old Union or new TDS, they will all -- for the most  
20 part, they will all transition over to a new employer,  
21 a new benefits package, and whatever flows from it?

22 A. (Reed) That's right. Yes.

23 Q. And, on the timing of the closing, are there financial  
24 consequences to closing in -- on November 30th, versus

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[WITNESS PANEL: Reed|Winslow]

1 early January 2010?

2 A. (Reed) Financial consequences? As part of this Stock  
3 and Asset Transfer Agreement, no. No.

4 Q. There are the issues that Mr. Winslow raised about  
5 difficulties in benefit packages and possibly running  
6 two different plans. Are there other interest costs,  
7 other things that make it a more expensive transaction  
8 or a less expensive transaction between the two dates?

9 A. (Reed) No. Only in trying to close a transaction in  
10 December, when you're trying to close the rest of the  
11 the Corporation's books and trying to integrate  
12 something in in that period of time. I could not say  
13 there are additional costs. But, certainly, it's a  
14 difficult process. And, I've been advised by my  
15 finance people that we -- we're just not able to do  
16 that in December now, unless it's earlier.

17 Q. And, if it were to happen as quickly as November 30th,  
18 are both companies prepared to do so and could carry  
19 out the transition with that quick a timeframe?

20 A. (Winslow) Yes.

21 A. (Reed) If we were -- If we had some certainty that we  
22 were able, I hope I say this the right way, if there is  
23 some certainty that we would be able to get an order by  
24 November 20th, as I described, both companies are

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[WITNESS PANEL: Reed|Winslow]

1       poised and ready to go to make this happen by November  
2       30th, yes. I confirmed that last night.

3   Q.   Mr. Winslow, do you feel that, from the Union  
4       perspective, that it could happen that fast in an  
5       effective way?

6   A.   (Winslow) Yes.

7                   CMSR. IGNATIUS: Thank you.

8                   CHAIRMAN GETZ: Okay. Thank you. Just  
9       a couple of things, gentlemen.

10   BY CHAIRMAN GETZ:

11   Q.   Mr. Reed, so, TDS has -- provides local exchange and  
12       exchange access service in 28 states, a sole  
13       stockholder of more than 100 independent local exchange  
14       carriers, including the four in New Hampshire. How  
15       many customers overall, approximately?

16   A.   (Reed) Half a million.

17   Q.   Half a million.

18   A.   (Reed) On the ILEC side. We also have a substantial  
19       CLEC in the middle of the country. But our ILEC side  
20       is about a half million.

21   Q.   And, the Services Company provides all of the billing  
22       services to all of those, all of those companies, under  
23       the same centralized billing system?

24   A.   (Reed) Yes, we do. Yes. So, and Union will be

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1 integrated right into an existing system in use today.

2 Q. And, Mr. Winslow, Union has presently how many  
3 customers?

4 A. (Winslow) We have about 6,500 access lines.

5 Q. And, so, Mr. Reed, when you say -- so, the conversion  
6 or the integration, that would be primarily  
7 transporting the data from the 6,500 customers or 6,500  
8 access lines into the existing TDS system that serves  
9 approximately half a million lines?

10 A. (Reed) Yes. Yes.

11 Q. And, the timing again is -- how long is that expected  
12 for that transition?

13 A. (Reed) The timing, and I want to be clear about this,  
14 we have -- I included general timeframes in  
15 confidential Exhibit A to my testimony. And, you'll  
16 see the first couple weeks, right out of the starting  
17 gate, the main priority is employees, and that will be  
18 dealt with. Months one through three, we transition  
19 the finance, marketing, sales, legal, field services,  
20 and so on. Month four, you know, we get into the  
21 branding. So, generally, you can see that the majority  
22 of the transition is going to take place in  
23 approximately six months. There is a period of time  
24 after that, again, the data conversion, the e-mail, the

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1 Internet process we anticipate will take longer than  
2 that. But we hope to have this, the majority of it  
3 done, the billing system and so forth, in the six month  
4 period. We don't set a hard, fast, "we're going to do  
5 it today". When they feel it's ready to make the  
6 change and everything is tested, that's when it will  
7 happen.

8 Q. And, that the testing will be done internally by TDS  
9 employees who --

10 A. (Reed) Yes.

11 Q. And, is it the same group that managed the previous  
12 conversions of the ILECs in New Hampshire?

13 A. (Reed) Yes. The way TDS does it is we don't have a  
14 separate group that goes out and transitions in the  
15 billing system. We have a billing group, experts, and  
16 this is part of their job. We have a new company to  
17 merge in, and they work that into their regular  
18 day-to-day work.

19 CHAIRMAN GETZ: All right. Thank you.

20 Anything further, Mr. McHugh or Mr. McDermott?

21 MR. MCHUGH: Nothing, Mr. Chairman.

22 MR. McDERMOTT: Nothing.

23 CHAIRMAN GETZ: Okay. Then, hearing  
24 nothing else, then I guess part of the panel is excused.

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[WITNESS PANEL: Reed|Ladam]

1 WITNESS WINSLOW: All right. Thank you.

2 CHAIRMAN GETZ: Okay. Well, let's take  
3 a very brief recess.

4 (Whereupon a recess was taken at 9:43  
5 a.m. and the hearing reconvened at 9:47  
6 a.m.)

7 CHAIRMAN GETZ: Ready to move on to  
8 Panel 2?

9 MR. MCHUGH: Yes, Mr. Chairman. Ask  
10 Mr. Ladam to please take the stand.

11 (Whereupon *Michael Ladam* was duly sworn  
12 and cautioned by the Court Reporter.)

13 MICHAEL LADAM, SWORN

14 MICHAEL REED, PREVIOUSLY SWORN

15 DIRECT EXAMINATION

16 BY MR. MCHUGH:

17 Q. Mr. Ladam, could you please state for the record your  
18 full name.

19 A. (Ladam) Michael Ladam.

20 Q. And, you're a member of the Commission Staff, correct,  
21 sir?

22 A. (Ladam) That's correct.

23 Q. Could you please state your job title and describe your  
24 job duties please.

[WITNESS PANEL: Reed|Ladam]

1 A. (Ladam) I am a Utility Analyst. I am focused on  
2 telecommunications analysis, reviewing information in  
3 dockets and making recommendations regarding Staff's  
4 analysis of those.

5 Q. Thank you, Mr. Ladam. And, is the Commission Staff a  
6 party to a Settlement Stipulation dated as of  
7 November 6, 2009?

8 A. (Ladam) Yes, it is.

9 Q. Okay. I would like to ask both of you gentlemen some  
10 questions and to summarize the Stipulation, which we've  
11 marked as Petitioners Exhibit 5P. And, I'll start with  
12 Mr. Reed. And, Mr. Ladam, please feel free to, once  
13 Mr. Reed completes his answer, to add anything you  
14 believe is necessary.

15 A. (Ladam) Thank you.

16 Q. Okay. Mr. Reed, in terms of the Stipulation, could you  
17 just summarize for the Commission Section I, sort of  
18 the first seven sections of the Settlement Stipulation,  
19 which Section I is entitled "Background and Procedural  
20 History".

21 A. (Reed) And, Sections 1 through 7 or Paragraphs 1  
22 through 7 are just that, the different steps in this  
23 docket to date.

24 Q. Okay. Mr. Ladam, do you want to add anything to the

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[WITNESS PANEL: Reed|Ladam]

1 summary of those sections?

2 A. (Ladam) No, that's correct.

3 Q. Okay. Mr. Reed, is there anything in Section 8 that  
4 you believe should be highlighted for the Commission,  
5 in terms of the Settlement Stipulation?

6 A. (Reed) I would just like to point out that the  
7 Stipulation, the Parties, the Staff, the OCA, Union and  
8 TDS Telecom are all signatories to it.

9 Q. And, Mr. Ladam, anything to add?

10 A. (Ladam) No.

11 Q. Mr. Reed, anything in Section 9 you care to highlight?

12 A. (Reed) I would like to point out that, just the first  
13 part of Section 9, based on the pleadings, the prefiled  
14 testimony, the data responses by TDS and Union, and  
15 with additional terms set forth in the Stipulation, the  
16 Parties and Staff agree that TDS Telecom has the  
17 requisite financial, managerial, and technical capacity  
18 to operate the Union franchise.

19 Q. Mr. Ladam, anything to add?

20 A. (Ladam) No.

21 Q. Mr. Reed, could you please summarize Section 10,  
22 especially as it pertains to the "Stay Out Period", as  
23 it's defined in the Settlement Stipulation?

24 A. (Reed) Yes. There was an agreement amongst the Parties

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[WITNESS PANEL: Reed|Ladam]

1       that TDS Telecom and Union will not file with the  
2       Commission at any point in time earlier than 14 months  
3       following the transition from Union's present  
4       operational support systems for regulated services to  
5       Telecom, to the operational support systems for  
6       regulated services. So, there's a stay out of an  
7       increase in basic local rates. There's not a date  
8       certain with this. It's 14 months following the  
9       transition of the significant systems. And, as I  
10      described in my previous testimony, we have a plan.  
11      It's generally within six months. But we will have a  
12      set date that we'll agree on with the Parties as to  
13      when that 14-month period will start. And, then, 14  
14      months following, there will be no changes in rates --  
15      no increases in rates, basic service rates.

16   Q.   And, Mr. Reed, this is with respect to the support  
17       systems for regulated services for TDS Telecom,  
18       correct?

19   A.   (Reed) Yes. Yes. They're significant systems. So,  
20       the billing system will be completed, the operational  
21       systems, the accounting systems will be transitioned.  
22       And, with the 14 months, will give us ample time under  
23       those systems to get a good look at this company  
24       following the merger.

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[WITNESS PANEL: Reed|Ladam]

1 Q. Now, Mr. Reed, with respect to the Stay Out Period,  
2 would that preclude Union Telephone Company, once owned  
3 by TDS Telecom, from filing a request for dockets such  
4 as, for example, an alternative form of regulation?

5 A. (Reed) Yes, we did discuss that. This, what Paragraph  
6 10 does is we've agreed on the 14-month stay out, that  
7 no matter party will bring a rate increase, rate case,  
8 for example, or a specific case to raise rates.  
9 However, it does allow for the Company to, as Mr.  
10 McHugh described, file for an alternative form of  
11 regulation case, that may include, somewhere in the  
12 plan, changes, allow changes in rates. If that does  
13 occur, those allowed changes in rates as part of that,  
14 we'll use alternative regulation as an example, could  
15 not and would not take place within that 14-month  
16 period. So, we could file earlier, but no rates could  
17 be changed earlier than 14 months.

18 Q. It would be no earlier than the Stay Out Period,  
19 correct?

20 A. (Reed) Yes. Right. The Stay Out Period, 14 months  
21 following the transition.

22 Q. Okay. Mr. Ladam, before I move on, is there anything  
23 you care to add with respect to Section 10?

24 A. (Ladam) I guess I'd just observe that this is the

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[WITNESS PANEL: Reed|Ladam]

1 longest paragraph I believe in the Stipulation. The  
2 sentence beginning "For the avoidance of doubt", I'll  
3 point out is helpful in clarifying its effect.

4 Q. Mr. Reed, -- oh, I'm sorry, do you have anything else  
5 to add?

6 A. (Reed) Yes, I did omit one thing.

7 Q. Go ahead.

8 A. (Reed) There is a section in here that does allow for  
9 exogenous changes. Should there be any excessive high  
10 or low earnings, we could come before the Commission.

11 Q. Mr. Ladam, anything else on Section 10?

12 A. (Ladam) No.

13 Q. Okay. Mr. Reed, would you please address briefly  
14 Section 11.

15 A. (Reed) Section 11 is part of the agreement that TDS  
16 will continue to make available to the Union customers  
17 those DSL offerings set forth in Exhibit A to the  
18 testimony -- or, to the Stipulation. And, those are  
19 just the existing offerings that are there today. That  
20 there wouldn't be any changes in prices or speeds,  
21 unless TDS were to roll out a new bundle package or  
22 something along those lines. But these stand-alone DSL  
23 will be available for a year.

24 Q. Mr. Ladam?

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[WITNESS PANEL: Reed|Ladam]

1 A. (Ladam) Nothing to add. Thank you.

2 Q. All right. Without going through all of the specific  
3 20 paragraphs, Mr. Reed, can you summarize, from TDS  
4 Telecom's perspective, the remainder of the  
5 Stipulation? And, I'll ask Mr. Ladam to please, you  
6 know, weigh in as he deems necessary.

7 A. (Reed) Section 12 just assures that "No transactional  
8 merger expenses [will] be reflected in Union's rates."

9 13: TDS will adopt the Union tariff as  
10 it is today. Eventually, that will be integrated into  
11 the TDS concurrence, like with Kearsarge Telephone  
12 Company.

13 There is an agreement in 14 that, today,  
14 the TDS subsidiaries report their service quality on a  
15 quarterly basis to the Commission, and we will continue  
16 to do that going forward for at least a year, and we'll  
17 include Union. There's a slight, slight delay. Union  
18 is going to provide some service quality until we can  
19 integrate Union into the TDS systems. And, then,  
20 following that, Union will be reported quarterly as  
21 well.

22 Section 15: There are six existing  
23 payphones. And, we have agreed that we will continue  
24 those payphones for at least a year, until we have a

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[WITNESS PANEL: Reed|Ladam]

1 chance to look and see how they're used, if they're  
2 needed. Generally, we haven't been keeping payphones.  
3 They're not used much any more.

4 Section 16 is just a further description  
5 of confidential A here -- I'm sorry. Section 16, in  
6 confidential Exhibit A to my testimony, is the list of  
7 the transition events that are going to occur. And,  
8 there are some significant ones. We reached an  
9 agreement on how that will be communicated to the  
10 Parties on the significant events, to make sure that  
11 the Staff and the OCA know what's coming and when it's  
12 coming, and the outcome of those.

13 And, 17, we'll provide copies of all the  
14 customer notices. We'll file those with the Commission  
15 and the OCA, so they'll know what's going on and what  
16 the dates are going to be.

17 Eighteen (18) is assurance that  
18 customers who pay their bills online, the transactions  
19 will continue.

20 Nineteen (19) is significant, in that we  
21 -- that TDS will keep the Farmington Business Office,  
22 we've agreed to keep it open for at least 60 days  
23 following the billing cycle. Making sure customers do  
24 have a location to go to should there be any billing

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[WITNESS PANEL: Reed|Ladam]

1 problems or questions that they have. That doesn't  
2 mean the office closes at the end of 60 days, but it  
3 will be open for at least 60 days.

4 Q. Mr. Reed, let me just interrupt you. You made  
5 reference to the "billing cycle". Do you mean that the  
6 office will remain open for at least 60 days following  
7 the conversion of the billing system?

8 A. (Reed) The bill system conversion, I'm sorry. Thank  
9 you.

10 Section 20: TDS is -- that the Parties  
11 agree that TDS will apply for any of the federal  
12 stimulus funding that may be utilized to provide  
13 broadband to unserved areas of the existing TDS  
14 properties. That's an ongoing process. As we all  
15 know, the definition is changing, but we agree that we  
16 will apply to anything that will benefit the New  
17 Hampshire customers in currently unserved areas in any  
18 of the TDS properties in New Hampshire.

19 And, then, finally, TDS Telecom will  
20 continue to provide a regulatory presence, able to  
21 respond to future New Hampshire Commission dockets and  
22 proceedings.

23 Q. Mr. Ladam, anything further to add?

24 A. (Ladam) These stipulations are intended to and

[WITNESS PANEL: Reed|Ladam]

1 effective in ensuring that we will be able to monitor  
2 the transition period and ensure that the public  
3 interest is served.

4 Q. Mr. Ladam, let me just ask you, with respect to the  
5 Staff entering into the Settlement Stipulation, with  
6 these provisions and safeguards in the Settlement  
7 Stipulation, do you believe that the transaction is for  
8 the public good and in the public interest?

9 A. (Ladam) Yes, I do.

10 MR. McHUGH: I have no further questions  
11 at this time, Mr. Chairman.

12 CHAIRMAN GETZ: Thank you. Mr.  
13 McDermott?

14 MR. McDERMOTT: No questions.

15 CHAIRMAN GETZ: Ms. Hollenberg.

16 MS. HOLLENBERG: Thank you. I would  
17 just say at the outset that I realized that, once the  
18 Commission started asking its questions, that I might have  
19 asked the rest of mine earlier. But I've discussed with  
20 counsel, and they accept my asking further questions at  
21 this time of Mr. Reed about the transfer.

22 CROSS-EXAMINATION

23 BY MS. HOLLENBERG:

24 Q. Mr. Reed, do you agree that Union will not pursue

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[WITNESS PANEL: Reed|Ladam]

1 recovery of any acquisition premium, to the extent that  
2 there is any, from regulated customers?

3 A. (Reed) Yes.

4 Q. And, would you agree that all New Hampshire PUC service  
5 quality requirements currently applicable to Union will  
6 remain applicable after the transfer?

7 A. (Reed) Yes.

8 Q. Do you agree that TDS -- neither TDS nor Union has any  
9 plans to change the locations of Union's garages after  
10 the closing?

11 A. (Reed) No, we do not. No.

12 Q. And, would you --

13 A. (Reed) I could add just a little bit to that.

14 Q. Yes.

15 A. (Reed) I mean, there are going to be changes going  
16 forward. We change all the time. One example I like  
17 to use is some of our employees have home garaging.  
18 They keep their trucks at home, they work -- and they  
19 may live closer to where they work. So, some changes  
20 like that might be, but we are not closing any garages  
21 that we are aware of at this time.

22 Q. Okay. Thank you. And, similarly, do you agree that  
23 neither TDS nor Union has any plans to change the  
24 location of its -- of the central office techs serving

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[WITNESS PANEL: Reed|Ladam]

1 the regulated customers in New Hampshire after the  
2 closing?

3 A. (Reed) I agree with that.

4 Q. And, would you agree also that neither TDS nor Union  
5 plans to change the location of the outside plant  
6 technicians serving the New Hampshire regulated  
7 customers after the closing?

8 A. (Reed) I agree.

9 Q. And, lastly, on that point, do you agree that neither  
10 TDS, nor Union, plans to close any Union facilities  
11 serving New Hampshire regulated customers within the  
12 next few years?

13 A. (Reed) We do not have any plans to do that, no.

14 Q. Thank you. In regards to the provision -- or, you  
15 discussed Paragraph 10 in the Stipulation, and you also  
16 talked about whether or not that paragraph -- how that  
17 paragraph intersected with any plans to request  
18 alternative regulation for Union. And, I would just  
19 ask you that, do you agree that any request for  
20 alternative regulation must be consistent with the  
21 terms of the Settlement regarding basic rate cap -- the  
22 base rate cap?

23 A. (Reed) Absolutely. Yes.

24 Q. And, would you also agree that the Settlement Agreement

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[WITNESS PANEL: Reed|Ladam]

1 does not include a term to the effect that the parties  
2 have reached any agreement that Union is entitled to  
3 alternative regulation under New Hampshire law?

4 A. (Reed) No, we have not.

5 Q. Okay. I just wanted to show you a couple of data  
6 responses. I believe you have copies of those. And, I  
7 just wanted to quickly go through these with you, just  
8 for purposes of the Commission having these, this  
9 information in the record. Some of the information may  
10 also be contained in your prefiled testimony. But, for  
11 purposes of efficiency, I just wanted to also include  
12 these. Would you please look at what's been identi --  
13 or labeled as -- it's actually TDS's response to OCA  
14 1-33. Do you see that?

15 A. (Reed) Yes.

16 MS. HOLLENBERG: And, if I may have that  
17 marked as "Exhibit 6C" please?

18 CHAIRMAN GETZ: So marked.

19 (The document, as described, was  
20 herewith marked as **Exhibit 6C** for  
21 identification.)

22 MS. HOLLENBERG: And, I would just note  
23 that I will file, I don't have a public version of this  
24 document at this time, but I will file a public version

[WITNESS PANEL: Reed|Ladam]

1 after the hearing.

2 CHAIRMAN GETZ: Thank you.

3 BY MS. HOLLENBERG:

4 Q. Do you agree that this is your response to this data  
5 request?

6 A. (Reed) Yes.

7 Q. And, just generally speaking, this describes or asks  
8 you to provide "all the steps taken by TDS in its due  
9 diligence examination of Union prior to deciding to  
10 proceed with the transaction"?

11 A. (Reed) Yes.

12 Q. Thank you. Do you also agree that it asks you to  
13 "explain any limitations [that] Union placed on TDS  
14 with regards to [that] due diligence examination"?

15 A. (Reed) Yes, it does.

16 Q. Thank you. The next data request is Staff 1-12. Do  
17 you agree that this is your response to that data  
18 request?

19 A. (Reed) Yes, it is.

20 MS. HOLLENBERG: If I might have, Mr.  
21 Chairman, this data request marked as "Exhibit 7" please?

22 CHAIRMAN GETZ: So marked.

23 (The document, as described, was  
24 herewith marked as **Exhibit 7** for

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[WITNESS PANEL: Reed|Ladam]

1 identification.)

2 MS. HOLLENBERG: Thank you.

3 BY MS. HOLLENBERG:

4 Q. Would you agree that this asks -- actually, before I  
5 get to that, you do, in your prefiled testimony, attach  
6 Attachment A, which do you agree is a summary of the  
7 typical process used by TDS Telecom to integrate new  
8 companies?

9 A. (Reed) Yes.

10 Q. Okay. And, in this question, you were asked to  
11 "provide any and all details of the systems transition  
12 necessary [for] TDS to operate the telephone business  
13 in the Union service territory." Do you agree with  
14 that?

15 A. (Reed) Yes.

16 Q. And, this provides that information?

17 A. (Reed) Yes, it does.

18 Q. Thank you. And, the next question I'd like to ask you  
19 about is actually a confidential response to a tech  
20 session -- October 26, 2009 Technical Session Question  
21 8. Do you see that?

22 A. (Reed) Yes.

23 Q. And, this is your response to that question?

24 A. (Reed) Yes, it is.

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[WITNESS PANEL: Reed|Ladam]

1 MS. HOLLENBERG: Thank you. If I might  
2 have this marked as "Exhibit 8C"? Actually, I didn't  
3 write "C" on your copies, but if you could mark that.

4 CHAIRMAN GETZ: So marked.

5 (The document, as described, was  
6 herewith marked as **Exhibit 8C** for  
7 identification.)

8 MS. HOLLENBERG: And, again, I will  
9 provide the Clerk with a public version of this document  
10 after the hearing.

11 BY MS. HOLLENBERG:

12 Q. Do you agree that this question asks you for the  
13 process used to make sure that billing is accurate  
14 after the transaction closes?

15 A. (Reed) Yes.

16 Q. And, you provide the details of that billing transition  
17 process?

18 A. (Reed) These are the steps, yes.

19 Q. Thank you. Just one clarification, just to make sure,  
20 this is something that the OCA was not aware of, but it  
21 came out during discovery. And, do you agree that the  
22 business office that Union operates in New Hampshire is  
23 actually not even located in its service territory?

24 A. (Reed) That is correct. It's in Farmington, and that's

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[WITNESS PANEL: Reed|Ladam]

1 not part of the Union service territory.

2 Q. And, after the closing, is it true that you'll assess,  
3 in part of your decision-making process in terms of  
4 whether or not to close that business office, you'll  
5 assess the traffic of the public that you receive in  
6 that, that location?

7 A. (Reed) Yes, we will. Yes.

8 Q. Thank you.

9 MS. HOLLENBERG: Thank you. No other  
10 questions.

11 CHAIRMAN GETZ: Mr. Hunt.

12 MR. HUNT: Yes. If I may, I have a  
13 couple of follow-up questions that I think are necessary  
14 for the record for Mr. Ladam.

15 CHAIRMAN GETZ: Please.

16 MR. HUNT: Good morning, Mr. Ladam.

17 WITNESS LADAM: Good morning.

18 DIRECT EXAMINATION

19 BY MR. HUNT:

20 Q. First question. Did you participate in Staff's  
21 investigation in this case and in the negotiation of  
22 the agreement that has been presented here today as  
23 "Exhibit 5P"?

24 A. (Ladam) Yes, I did.

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[WITNESS PANEL: Reed|Ladam]

1 Q. And, can you just briefly describe that participation?

2 A. (Ladam) During the technical session, Staff and OCA  
3 raised questions regarding operational and financial  
4 metrics. TDS and Union then filed responses; along  
5 with others in Staff and OCA, I reviewed those  
6 responses. The combination of the historical filings  
7 of the two companies, and new data provided during this  
8 process, has given us sufficient background to evaluate  
9 the proposed transaction.

10 Q. Did Staff have access to the proper data and adequate  
11 time to thoroughly review that data to reach an  
12 informed agreement on the issues raised in its  
13 investigation?

14 A. (Ladam) Yes. The process I just described provided us  
15 with the information we needed, and we had sufficient  
16 time to assess that information.

17 Q. And, do you have any further comments regarding the  
18 Stipulation Agreement?

19 A. (Ladam) We looked at several areas of potential concern  
20 in this transaction. For example, the operational  
21 capabilities of the acquiring company, the potential  
22 for rate increases arising from the transaction, and  
23 the risk of service disruption. The original  
24 agreement, supplemented by the Stipulation, addresses

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[WITNESS PANEL: Reed|Ladam]

1 any concerns we had in those areas.

2 MR. HUNT: Thank you. No further  
3 questions.

4 CHAIRMAN GETZ: Commissioner Below.

5 CMSR. BELOW: Yes, a couple questions.

6 BY CMSR. BELOW:

7 Q. Mr. Reed, in your Exhibit A to the Settlement  
8 Stipulation, you have the -- you show the residential  
9 high speed Internet offerings in Union Telephone  
10 Company that you've agreed, as part of the Settlement  
11 Stipulation, to continue for a period of time, I  
12 believe it was one year. Could you just characterize  
13 how those compare to TDS's residential high speed  
14 Internet offerings in its other territories in New  
15 Hampshire?

16 A. (Reed) I can generally say, I can't give you the exact,  
17 but they're very comparable.

18 Q. Okay.

19 A. (Reed) They're very comparable.

20 Q. Similar, more or less approximately the same?

21 A. (Reed) Yes, they are.

22 Q. A little less or more?

23 A. (Reed) Yes.

24 Q. Okay. Is it your -- oh, could you characterize the

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[WITNESS PANEL: Reed|Ladam]

1 assets that you'll be acquiring from Freedom Ring and  
2 Unex related to the provision of interstate and  
3 international toll service and Internet service to  
4 Union -- customers in the Union service area?

5 A. (Reed) Those would be the customers that are currently  
6 -- have chosen that particular carrier within the Union  
7 service footprint. And, then, it also includes the  
8 Internet customers, again, within the Union service  
9 footprint.

10 Q. Does that include some physical switching type  
11 equipment or routers or things of that nature that are  
12 physically located in the Union facilities or is it  
13 just the customer base? Or, do you not know exactly?

14 A. (Reed) I'm just having to think here. No. It's just  
15 the customer base, yes.

16 Q. So, to the best of your knowledge, Freedom Ring  
17 Communications, LLC, will continue to operate as an  
18 independent company?

19 A. (Reed) Uh-huh. Yes.

20 Q. Okay.

21 MR. McDERMOTT: Excuse me for a second,  
22 I just want to correct that one question.

23 MR. WINSLOW: Yes. Just regarding the  
24 Internet customers, any of the assets that are in Union

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[WITNESS PANEL: Reed|Ladam]

1 service territory, whether its switching or whatnot that  
2 relate to, you know, high speed Internet or even dial-up,  
3 will be included in the transaction. So, customer modems,  
4 any of the -- any of the equipment that's located in the  
5 central offices will be included. So, just wanted to --

6 WITNESS REED: Thank you, Darren. I was  
7 looking for that.

8 CMSR. BELOW: Okay. Thank you. That's  
9 all.

10 CHAIRMAN GETZ: Commissioner Ignatius.

11 CMSR. IGNATIUS: Thank you.

12 BY CMSR. IGNATIUS:

13 Q. Mr. Reed, you said you don't anticipate any problems  
14 with service or billing with the transition here. What  
15 steps have you taken to test out that theory that there  
16 won't be problems or on what basis do you conclude that  
17 there aren't going to be problems on that front?

18 A. (Reed) Well, I rely totally on our experts to tell me  
19 that. But, I personally have been involved in the  
20 transactions in New Hampshire, one in Maine, and two in  
21 New York, since I've worked for TDS Telecom. And, to  
22 the best of my knowledge, there have not been a single  
23 billing issue that we've dealt with. And, so, I have  
24 total and complete faith in their abilities and their

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[WITNESS PANEL: Reed|Ladam]

1 testing process.

2 Aside from their expertise, like I say,  
3 I have personally experienced this. When I give my  
4 guarantee to the Commissioners, I want to make sure  
5 somebody is behind me backing that up.

6 Q. And, if something should make that more complicated and  
7 you do have an issue with customer satisfaction on  
8 quality or timeliness of response or if a billing  
9 problem arises, how does TDS plan to respond to that?

10 A. (Reed) I'm not really sure how to answer that question,  
11 other than to say that we would fix it. But, as far as  
12 -- we certainly would be in touch with the Commission,  
13 the Consumer Advocate -- or, the Consumer staff, and  
14 the OCA, pre of these significant conversions, customer  
15 related, share the information that the customer is  
16 going to have, and follow up. I think we've made  
17 provisions here, within this, the Stipulation. For  
18 example, Consumer Affairs Division wanted to be sure  
19 the business office was going to be open, so customers  
20 could go in if they were having billing issues or had  
21 concerns. There are steps included in the exhibits  
22 where we have people standing by even during the  
23 Internet conversion, where the customers may have  
24 problems with their addressing or whatever. These are

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1 proven steps that TDS has, and they're going on right  
2 now with the conversion. All I can tell you is all of  
3 the failsafes are in there. And, we do have the  
4 process to react should something go wrong.

5 Q. If call volumes go up significantly, is that something  
6 that the Company would see happening and respond to?

7 A. (Reed) Yes. And, I think that's important to point  
8 out, too, is, and we talked about the business office,  
9 the TDS business office system or the service  
10 representatives, it's a nationalized system. So that  
11 the service reps, I'll give you an example, in the  
12 Contoocook office, for example, are online and they may  
13 be taking calls for different states. So, we actually  
14 have the benefit of the entire TDS system of service  
15 reps to handle these volumes and flows, peaks and  
16 flows. Even, believe it or not, the time difference is  
17 a big help in securing customer -- longer customer  
18 hours. They have an office, you know, that one hour to  
19 the Central Time Zone makes a difference in scheduling.  
20 So, we can handle those peaks and flows of a storm here  
21 or a conversion here that may have some additional  
22 input. They can schedule accordingly.

23 Q. Mr. Ladam, I don't know if you've had direct experience  
24 with any of the other transitions that TDS has had in

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[WITNESS PANEL: Reed|Ladam]

1 taking over companies in New Hampshire. But, based on  
2 either your direct experience or anything that you've  
3 discussed as part of this transaction, do you have  
4 concerns with the switchover from the Union operating  
5 system to the TDS operating system that it will --  
6 concerns that it may not go smoothly?

7 A. (Ladam) First, I have not had direct experience with  
8 previous TDS transitions. I started at the Commission  
9 in February of this year. However, I have reviewed the  
10 historical record. And, have been involved with the  
11 Verizon transition, so I'm attentive to those concerns.  
12 I believe this plan is credible, and it does have  
13 historical precedent in the earlier transitions to  
14 suggest that we can expect a smooth transition.

15 CMSR. IGNATIUS: Thank you. Nothing  
16 else.

17 CHAIRMAN GETZ: Okay. For Mr. Reed or  
18 maybe for your counsel, Exhibit 6 and 8, what's  
19 confidential about these responses?

20 MR. McHUGH: Mr. Chairman, with respect  
21 to Exhibit 6C, which I had marked, just to make sure I  
22 marked them correctly, we're looking at the response to  
23 OCA Data Request 1-33?

24 CHAIRMAN GETZ: Yes.

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[WITNESS PANEL: Reed|Ladam]

1 MR. McHUGH: It was the desire of the  
2 Company not to disclose any information about what it does  
3 or does not do with respect to due diligence matters, in  
4 terms of sharing this information publicly, in the event  
5 its competitors might take a look at it. That was the  
6 rationale.

7 CHAIRMAN GETZ: Okay. And, the  
8 rationale on Exhibit 8?

9 MR. McHUGH: Well, Exhibit -- all I can  
10 tell you, Mr. Chairman, is that, you know, non-regulated  
11 competitors do not disclose what they go through in their  
12 transition process with respect to billing. And, the  
13 folks at TDS Telecom did not want to put this out into the  
14 public realm.

15 CHAIRMAN GETZ: It just seems to me, on  
16 first blush, that these are some pretty logical steps that  
17 you think a confident company would undertake, and that,  
18 for purposes of our requirements under the Right to Know  
19 law, that these are the types of things that would be some  
20 consolation to the customers of the companies, that the  
21 Company is undertaking the types of efforts it should be,  
22 and that we're reviewing those efforts in a way that would  
23 be helpful to the public interest. So, --

24 MR. McHUGH: I can talk to Mr. Reed and

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1 other representatives at TDS Telecom after we close the  
2 record about revising the confidential designation.

3 CHAIRMAN GETZ: Okay. Well, we'll give  
4 you the opportunity to file something on whether you want  
5 to withdraw the confidential request for these two  
6 exhibits. Is there anything else for the witnesses?  
7 Anything in the nature of redirect?

8 MR. McHUGH: I don't have any, Mr.  
9 Chairman.

10 CHAIRMAN GETZ: Okay.

11 MR. McDERMOTT: Nothing.

12 CHAIRMAN GETZ: Okay. Then, the  
13 witnesses are excused. Thank you, gentlemen.

14 Is there any objection to striking the  
15 identifications and admitting the exhibits into evidence?

16 MR. McHUGH: No.

17 CHAIRMAN GETZ: Hearing no objections,  
18 they will be admitted into evidence. Anything else we  
19 need to address before opportunity for closings?

20 (No verbal response)

21 CHAIRMAN GETZ: Hearing nothing, then  
22 we'll begin with Ms. Hollenberg.

23 MS. HOLLENBERG: Thank you. Just a  
24 couple of comments. Firstly, we're very pleased that we

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1       were able to reach an agreement with the Companies and the  
2       Staff. And, we look forward to seeing a successful  
3       transition of Union Company to TDS Telecom ownership. I  
4       would just mention that, with regard to Paragraph 10, at  
5       least for purposes of the OCA, the rationale underlying  
6       the 14-month Stay Out Period was our attempt to try and  
7       get as clean of a test year as possible, without any  
8       transition costs included for purposes of a future rate  
9       case.

10                       I would mention that the ILEC filing  
11       that Mr. Reed referenced in response to Commissioner  
12       Ignatius's question is not ordinarily something that we  
13       would receive a copy of. So, to the extent that it's  
14       possible for the Commission to include that as a  
15       requirement that we do receive that when it's filed, that  
16       would be helpful, and -- or at least notice by the Company  
17       of when they do file it, so we could request a copy from  
18       the Commission.

19                       And, lastly, with regard to Commissioner  
20       Ignatius's question about unforeseen problems occurring  
21       after the transition, I would just point out to the  
22       Commissioners that Paragraph 16 does require TDS to keep  
23       the parties apprised periodically of any significant  
24       customer-affecting transition events. And, the OCA

1       certainly construes this as both positive and negative.  
2       And, we are -- we have committed to meet with the Company  
3       and Staff to negotiate or discuss in good faith those  
4       requirements after, if the Commission were to approve the  
5       transfer.

6                       If I could just have a minute please?  
7                       (Atty. Hollenberg conferring with Mr.  
8                       Traum.)

9                       MS. HOLLENBERG: And, lastly, I would  
10       just ask that the Commission approve this Settlement  
11       Agreement. We believe that this -- we fully support it.  
12       Thank you.

13                      CHAIRMAN GETZ: Thank you. Mr. Hunt.

14                      MR. HUNT: Thank you. Very briefly, the  
15       Staff was very pleased that a stipulation was reached.  
16       And, Staff's position is that the stipulated agreement is  
17       in the public interest and, therefore, recommend that it  
18       be approved.

19                      CHAIRMAN GETZ: Thank you. And, Mr.  
20       McDermott.

21                      MR. McDERMOTT: Union also is happy that  
22       we've reached an agreement and urge that the Commission  
23       approve the Stipulation and also issue an order in a  
24       timely fashion, in order to allow the Companies to close

1 as soon as possible. Thank you.

2 CHAIRMAN GETZ: Thank you. And, Mr.  
3 McHugh.

4 MR. McHUGH: Thank you, Mr. Chairman. I  
5 would point out to the Commission the specific provision  
6 in the Settlement Agreement, Section 9, which makes  
7 reference to the fact that the parties believe that the  
8 notification filed on July 31, 2009 should be approved,  
9 whether it's with respect to RSA 369:8, II(b), RSA 374:30,  
10 or RSA 374:33. So, I'm not here really today to provide,  
11 you know, an overall legal argument on what statute should  
12 apply and whether the -- what statutory provisions the  
13 Commission has. Instead, we really come before you to  
14 seek permission to close the transaction as soon as  
15 possible and to allow TDS Telecom to acquire the stock of  
16 Union Telephone Company, which is a well-run small local  
17 exchange carrier, that TDS Telecom is very eminently  
18 qualified to operate, manage, and control.

19 So, whether the legal standard is a "no  
20 net harm" or whether the legal standard is "for the public  
21 good and in the public interest", we believe that the  
22 evidence put forth to you today, both from the  
23 Petitioners, as well as the terms of the Settlement  
24 Stipulation, satisfies either of the overall legal

1 standards.

2 Certainly, I would submit there is, you  
3 know, no evidence on record that indicates the closings of  
4 the transactions contemplated by the Stock and Asset  
5 Purchase Agreement would cause some form of net harm to  
6 the public or to Union's existing or potential future  
7 customers. So, I think, to the extent the "no net harm"  
8 standard applies, all of the evidence in this case meets  
9 that standard and the Commission should approve it.

10 With respect to whether or not the  
11 standard is "does the transaction meet the public good  
12 standard and is in the public interest?", I believe the  
13 uncontroverted testimony before you today is that that  
14 standard is also met. And, to the extent the Petitioners  
15 had that burden of proof to show that the transactions are  
16 within the public good and in the public interest, I  
17 respectfully submit the Petitioners have met that burden.

18 The benefits of TDS Telecom running  
19 Union Telephone Company I think have been explained both  
20 in Mr. Reed's prefiled direct testimony, as well as his  
21 testimony before you today. There is additional evidence  
22 provided by Mr. Winslow in his direct testimony, as well  
23 as his testimony before you today. I think the Commission  
24 is well aware of the competitive pressures that face

1 wireline telecom carriers. And, this is not meant to be a  
2 case of "bigger is better"; this is meant to be a case of,  
3 while TDS Telecom certainly is bigger than Union  
4 Telephone, it is a very experienced company, both in New  
5 Hampshire and in other states, and have experience of  
6 successfully running wireline local exchange carriers, and  
7 has the necessary experience and size to weather  
8 competitive pressures, and brings to bear other factors,  
9 which have been enumerated for the Commission, as to what  
10 would provide public benefits, including the terms of this  
11 Settlement, including, but not limited to, the terms of  
12 the Settlement Stipulation.

13 So, having said that, and I would also  
14 just then point out that the Parties have stipulated as  
15 well that TDS Telecom has the requisite financial,  
16 operational, and managerial capacity to own, operate, and  
17 manage the Union Telephone franchise and the related  
18 assets that are coming over from the other subsidiaries of  
19 Utel, Inc. So, we would ask that the Commission  
20 respectfully approve the transactions, approve the  
21 notification filed on July 21 as expeditiously as  
22 possible. And, I would like to personally thank everybody  
23 from the Staff and OCA, who have worked very hard to come  
24 to this Settlement Stipulation. And, we, on behalf of TDS

1 Telecom, and I know Union Telephone, greatly appreciate  
2 their assistance to get us here today. Thank you very  
3 much.

4 CHAIRMAN GETZ: Okay. Thank you.  
5 Before we close, let me just address one administrative  
6 matter and note that we grant the request for a waiver of  
7 the five day rule for pre-filing of stipulations. And, we  
8 will then close the hearing, take the matter under  
9 advisement, and try to get out an order in this proceeding  
10 as quickly as possible. Thank you.

11 MR. MCHUGH: Thank you.

12 (Whereupon the hearing ended at 10:26  
13 a.m.)

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