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2 PUBLIC UTILITIES COMMISSION

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7 RE: DE 11-014  
8 NORTHEAST UTILITIES, INC.  
NU/NSTAR Merger Review  
9 Public Information Session

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

13 Sandy Deno, Clerk

14

15 APPEARANCES:

16 Reptg. Public Service Co. of N.H.:  
17 Robert A. Bersak, Esq.  
Allen Desbiens, Esq.

18 Reptg. Staff:  
Suzanne G. Amidon, Esq.

19 Reptg. OCA:  
20 Meredith A. Hatfield, Esq.  
Rorie E. Hollenberg, Esq.  
21 Kenneth E. Traum, Asst. Consumer Advocate  
22 Office of Consumer Advocate

23 COURT REPORTER: Susan J. Robidas, LCR NO. 44

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## 1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Good morning,  
3 everyone. This is a public informational session in  
4 Docket DE 11-014, concerning the Northern  
5 Utilities/NSTAR merger.

6 On November 22nd, 2010, Northeast  
7 Utilities filed a registration statement with the  
8 Securities and Exchange Commission announcing its  
9 intended merger with NSTAR. On January 18, we  
10 scheduled this informational session for the purpose  
11 of NU and PSNH presenting detailed information  
12 regarding the proposed merger and expected impacts,  
13 and also an opportunity to present the Company's  
14 opinion regarding the extent of the Commission's  
15 authority over the proposed merger. On February 1st,  
16 PSNH filed a number of materials, which also includes  
17 the Company's position that New Hampshire law does  
18 not require Commission approval of the proposed  
19 action.

20 For today's purposes, we'll permit the  
21 Company to make its presentation, both on the merger  
22 and on its position with respect to jurisdiction, and  
23 then there'll be an opportunity for public comment  
24 with respect to both the merger and its potential

1 effects and the questions of law regarding  
2 jurisdiction. And we'll also provide an opportunity  
3 for any filings in writing that anyone would like to  
4 make that's here today. And the deadline for any of  
5 those additional comments would be two weeks from  
6 today, which would be February 21st.

7 So, all right. Let's -- and I'll also  
8 note that I have one indication from Mr. Linder that  
9 he would like to speak. If there's anyone that -- I  
10 understand that Ms. Hatfield would like to speak. If  
11 there's anyone else that would like to speak, I will  
12 go around the room after the Company's presentation.

13 Ms. Hatfield.

14 MS. HATFIELD: Thank you, Mr.  
15 Chairman. Just a procedural question. During the  
16 Company's presentation, could parties ask questions;  
17 or, if we had questions, should we submit them to the  
18 Company? Just wondering how we should proceed in  
19 that regard.

20 CHAIRMAN GETZ: Well, for today's  
21 purposes, questions will be -- if there's any  
22 questions, it will be from the Commission. To the  
23 extent that there are questions that you might have,  
24 I would assume that the Company would be prepared to

1 stay after to answer any questions you might have, if  
2 you think there's something that needs to be  
3 submitted in writing.

4 Mr. Bersak, do I assume correctly that  
5 you'd be happy to stay after we leave today to answer  
6 questions that Ms. Hatfield or others might have for  
7 the Company?

8 MR. BERSAK: Yes, Mr. Chairman. We  
9 have people here who are intimately familiar with the  
10 transaction from both the Northeast Utilities side  
11 and from NSTAR's side. And if anybody's has  
12 questions, we would be very happy to try to respond  
13 to their questions after the session today.

14 CHAIRMAN GETZ: Okay. Thank you.

15 MS. Amidon, anything from Staff?

16 MS. AMIDON: No.

17 CHAIRMAN GETZ: All right. Then,  
18 Mr. Bersak.

19 MR. BERSAK: Thank you. As the  
20 Commission knows, I'm Robert Bersak. I'm the  
21 assistant secretary and assistant general counsel for  
22 Public Service Company of New Hampshire. With me  
23 today on my direct right is David R. McHale. He is  
24 the executive vice-president and chief financial

1                   officer for Northeast Utilities. He has testified  
2 before this Commission before. To Mr. McHale's right  
3 is Douglas S. Horan. And Doug is the senior  
4 vice-president and secretary and general counsel for  
5 NSTAR. To Doug's right is my boss, Gregory B.  
6 Butler. Greg is the senior vice-president and  
7 general counsel of Northeast Utilities. Oh, they  
8 changed order on me. Greg's on my far right. And to  
9 Greg's left -- I'm sorry -- is Lisa B. Thibdaue,  
10 who's vice-president for rates and regulatory for  
11 Northeast Utilities Service Company. Also with me  
12 today in the back helping me, right behind me is  
13 Allen Desbiens, who you're very familiar with.

14                   And Mr. Chairman, as you noted at the  
15 outset, the Commission initiated this docket to  
16 gather information regarding any impacts the proposed  
17 merger between Northeast Utilities and NSTAR might  
18 have on PSNH and its customers. As I noted, we're  
19 happy to be here, happy to comply and to provide  
20 information to you and to the other parties that are  
21 here. That's why David, Doug, Greg and Lisa made the  
22 trip to Concord today.

23                   You also indicated that we did make a  
24 filing on February 1st with this Commission, which

1 included copies of every filing that I'm aware of  
2 regarding the merger that's been made with the SEC,  
3 the FERC, the NRC, the DPUC, the DPU, the Maine PUC,  
4 the FCC, and any other combination of letters I  
5 haven't talked about. If it's been filed, I think  
6 I've provided it to this Commission to review. And  
7 I've provided copies of data request responses that  
8 have been made in similar sessions in Massachusetts  
9 and Connecticut.

10 We also provided the Commission with  
11 full printed copies of the joint proxy  
12 statement/prospectus. That's a 260-page document  
13 which includes questions and answers regarding the  
14 merger. It includes financial data, includes merger  
15 details, the merger agreement itself, company  
16 information, and many other items relating to the  
17 transaction. All the information that we've provided  
18 has been posted and is available from the  
19 Commission's web site now.

20 Mr. McHale and NSTAR's CFO, James  
21 Judge, provided testimony, dated November 24, 2010,  
22 to the Massachusetts DPU supporting the petition  
23 filed with that agency for approval of the  
24 transaction. Their joint testimony was part of the

1 information that we provided to the Commission on the  
2 1st of February. That testimony provides a good  
3 summary of the transaction and also reflects how none  
4 of either NU's or NSTAR's operating companies will be  
5 adversely affected. Indeed, their testimony  
6 describes how the operating companies and their  
7 customers, including PSNH and its customers, will  
8 benefit from the transaction. I have copies of that  
9 testimony which I will provide to you following Mr.  
10 McHale's presentation.

11 On that note, Mr. McHale has prepared  
12 a briefing to provide you with an understanding of  
13 the rationale and benefits of the merger, an overview  
14 of NSTAR, some details about the merger transaction  
15 itself and how it will impact PSNH. I do have copies  
16 of that presentation which I will now pass out so you  
17 can follow along, and I will also be providing copies  
18 of this to the Commission following today so that it  
19 can also be posted on the web site. I have copies in  
20 two different formats for people back here.

21 Mr. McHale, the floor is yours.

22 MR. MCHALE: So, the logistics here  
23 are a little awkward. So I thought maybe if I sort  
24 of stood there, you could watch the slides and we

1           could have a little bit of a dialogue. Does that  
2           work for the Commissioners?

3                     CHAIRMAN GETZ: That would be fine. I  
4           think the biggest issue is whether the court reporter  
5           can hear you and whether the rest of the room can  
6           hear you.

7                     MR. McHALE: Okay. Allen, why don't  
8           we go right to Slide 3. What I intended to do is go  
9           through the benefits of the merger; the rationale of  
10          the merger; a little bit of an NSTAR overview; the  
11          merger transaction, in terms of what the structure  
12          is, the leadership team and the like; and then talk  
13          specifically about the impact on PSNH.

14                   So why don't we turn to Page 4. And 4  
15          is really the rationale of the combination itself.

16                   If you can queue that up, Allen, next  
17          slide, please.

18                   The first one really talks about the larger  
19          platform that this entity will sort of bring to bear.  
20          We'll talk a little bit later about the relative size  
21          of NSTAR versus NU. But the combination of those two  
22          will create the largest electric utility company that  
23          is sort of domiciled here in New England. And we'll  
24          speak to sort of the financial wherewithal this

1 creates, a broader financial wherewithal, a stronger  
2 company from a financial standpoint. It brings sort  
3 of a full sort of leadership team together that can  
4 help kind of support policy, who can innovate, and  
5 really brings the experience of these two companies  
6 together with the sort of local control and a local  
7 kind of ownership.

8 In terms of the enhanced customer service, one  
9 thing that I think you'll find as we talk about NSTAR  
10 is they are extremely proud of the customer service  
11 record; arguably, one of the best customer service  
12 records in the region. In fact, when you look at  
13 their customer service statistics, they rank in the  
14 top quartile of all their peers, in terms of their  
15 J.D. Power scores, their reliability, their ability  
16 to sort of maintain their electric system, their gas  
17 system and the like. And I think that's something  
18 that will provide for some best-practice analysis  
19 down the road as well.

20 On the third bullet we kind of talked about this  
21 experience and complementary leadership team. We'll  
22 show you how these two companies come together from a  
23 leadership standpoint, what specific individuals have  
24 been named to the leadership, and where they come

1 from and what roles they'll play. But you'll find  
2 there's sort of a strong level of leadership from  
3 both companies who will stay with this organization  
4 going forward and bring to bear the benefits of that  
5 experience for the region.

6 And that really speaks to the last point about  
7 our partnership. We do think that as we spend time  
8 bringing this company together, there will be savings  
9 and there will be benefits for customers for sure. I  
10 will tell you right now, we are kind of early in that  
11 process. We are really about integrating the  
12 companies right now and focused very much on what is  
13 required to bring them together so that we will have  
14 a legal closing, sort of day one, and everything has  
15 to be done at that point. So the focus isn't  
16 necessarily on things like best practices and synergy  
17 analysis. It's really about how do we make sure that  
18 we consummate a close, and what are those policies  
19 and procedures that must come together; what are  
20 those things that we must do around safety, around  
21 financials; how do we select an auditor; how do we  
22 make sure we can close the books. That is the focus  
23 over the next three, five, even six months.

24 Allen, on the next page, in terms of some

1 specific benefits, we'll talk about the financial  
2 benefits. But one of the things that is, you know,  
3 very certain here is that the combination of this  
4 entity will bring sort of this enhanced credit  
5 profile. In fact, we have already sort of walked  
6 through the credit-rating agencies, like Standard &  
7 Poore's and Moody's. And I think what we're going to  
8 find is that, because this company, and both  
9 companies are really purely regulated companies, they  
10 have a very high-quality business profile that is a  
11 low-risk profile, and that they expect, because NSTAR  
12 flows off cash, and we are users of cash, and we'll  
13 have to rely on the external financial markets less,  
14 it's likely that PSNH and some of the other NU system  
15 companies actually get a credit-rating upgrade, which  
16 would work to lower their cost to capital. We'll  
17 come back to that in a moment.

18 And one thing I think that's important to know  
19 that is different from this transaction perhaps from  
20 other transactions that the Commission has seen is  
21 it's a merger of equals. There is no premium being  
22 paid to the NSTAR shareholder. And in fact, it's a  
23 stock-for-stock transaction. So there's no cash  
24 involved, there's no financing involved. We're not

1 going to leverage this company. There isn't  
2 additional interest expense. So there's not this big  
3 push to recover. And we won't be recovering things  
4 like additional interest expense, because we didn't  
5 do any financing. It's a pure stock-for-stock  
6 transaction. And we'll show you later on in the  
7 presentation how we constructed this so that's the  
8 case. So the credit agencies like that, because  
9 we're not putting more debt on this company, and  
10 we're taking advantage of a very high credit-quality  
11 company in NSTAR and the cash flow that's provided.  
12 And I do think those benefits of having a lower cost  
13 of capital, they will over time flow to PSNH  
14 customers.

15 The second bullet really touches on that more  
16 succinctly. I think it may take a little bit of  
17 time, but maybe as early as the consummation of this  
18 transaction there may be a credit-rating upgrade.  
19 So, to the extent that PSNH is borrowing monies, both  
20 long term and short term, and you have seen PSNH  
21 before this Commission seeking financing authority,  
22 it is likely, then, that their interest rates will be  
23 lower, and that will work its way through lower  
24 revenue requirements.

1           Importantly on the third bullet, as well, some  
2           of us still have fresh in our minds the financial  
3           crisis. Our need to rely on the external financial  
4           markets and the whims of the external financial  
5           markets, both from a debt and equity standpoint,  
6           should be really lessened because of that point I  
7           said earlier. The internally generated cash flow of  
8           NSTAR is going to work its way to the NU Holding  
9           Company level. And when PSNH needs financing, equity  
10          financing, typically the parent would go out and  
11          issue common stock, NU common stock. In the future,  
12          they won't have to do that. They'll use cash flow  
13          that's generated in the system. So we won't have to  
14          worry about whether the equity markets are open and  
15          whether banks are in the mood to lend and the like.  
16          That will be a very powerful benefit.

17           And then, lastly, the fourth bullet, you know,  
18          enhanced opportunities over time to achieve a lower  
19          cost structure. And I do think that's going to take  
20          us a little bit of time here, and specifically around  
21          the technology platform, and specifically around  
22          customer care systems in particular. So when you  
23          think about the investments that we've made in  
24          customer care systems in our call centers and call

1 center technology, and what is sort of looming in the  
2 future, given customer demands and increasing  
3 customer demands and the like, certainly it's going  
4 to make sense that we're making those investments  
5 over a platform of three-plus million customers,  
6 rather than our own smaller existing customer base.  
7 So that is something that we'll be spending more time  
8 on in the future.

9           Allen, Slide 6. This is just a depiction that  
10 NSTAR likes to use. And really, it's a very simple  
11 representation of something I think they take great  
12 pride in. And it starts with customer service,  
13 delivering excellent customer service. We'll talk  
14 about some of their statistics in a moment. But I  
15 think the theory is, for sure, the big focus on  
16 making sure they get the blocking and the tacking  
17 right -- that is, picking up the phones and  
18 responding to customers timely, with good, quality  
19 information; making sure that they're focusing their  
20 business model to keep costs low. That certainly  
21 creates this sense of a good regulatory environment,  
22 and good regulatory relations. They believe strongly  
23 that getting the customer equation right and the  
24 regulatory equation right is going to get the right

1 financial success and the right financial returns  
2 over time. Getting the right financial equation, I  
3 would argue, also lowers the cost of capital, lower  
4 equity cost of capital. And so that circle of  
5 debate, if you will, I think has worked very, very  
6 successfully for them over the last several years.

7 I'll also say, in terms of that customer service  
8 piece, something that is somewhat new, but a  
9 directive of some legislation in Massachusetts, is a  
10 bigger focus now on energy-efficiency initiatives.  
11 And the amount of spending that they're putting into  
12 energy efficiency under the Green Communities Act has  
13 really been ramping up.

14 So I think the combination of these two  
15 companies, NU and NSTAR, will be able to capitalize a  
16 lot of the work that NU has been doing, along with  
17 PSNH, for, really, decades in the energy efficiency  
18 and conservation of load management space, and then  
19 provide, I think, even more innovative products for  
20 customers over time.

21 CHAIRMAN GETZ: Excuse me, Mr. McHale.  
22 One question. I don't know if you're going to  
23 address this at some point. But if you could speak  
24 to the integration of the customer service operations

1 processes, how that may play out over time, make sure  
2 that we don't have any gaps or overlaps in how that's  
3 integrated.

4 MR. McHALE: I can speak to it. It'll  
5 be a fairly short conversation. But I can start by  
6 saying there'll be no gaps, and there'll be no  
7 overlaps. And the reason it will be a fairly short  
8 conversation is because we're just very early in the  
9 integration of that process.

10 Their primary customer care center is  
11 in Massachusetts, in a town called Westwood. Of  
12 course, I think you may know that we have two primary  
13 customer care centers: One in Connecticut, in  
14 Windsor, and then one here in Manchester, New  
15 Hampshire. I don't expect that that's going to  
16 change dramatically. But I'll be careful to say --  
17 not to go much further, because we really haven't  
18 studied this. And that will be something that we're  
19 looking at.

20 Now, sort of the local presence of  
21 those may not change, but the systems and the  
22 technology and the like, that's something that we'll  
23 be studying as well. But we're very, very cognizant,  
24 even in this integration planning phase, that you've

1           got to keep your eye on the ball. It's sort of job  
2           one is to keep the lights on, keep the gas flowing,  
3           answer the phones and the like. But that will be  
4           something we study over the coming months and  
5           quarters, and maybe even longer, about how to really  
6           optimize customer care for our customers throughout  
7           New England.

8                           CHAIRMAN GETZ: But there's no plan to  
9                         make any changes in the short term is what you're  
10                        saying, but there may be over time plans for greater  
11                        integration or something.

12                        MR. McHALE: I'd go even one step  
13                        further in saying there are no plans quite yet for  
14                        anything. I mean, that's -- I'm not trying to be too  
15                        flip about that. But we're at the very forefront on  
16                        it. But I think it would be safe to say I don't  
17                        think you should expect any dramatic or  
18                        transformative changes in the near term in the way  
19                        we're delivering customer care to our system.

20                        CHAIRMAN GETZ: Thank you.

21                        MR. McHALE: You're welcome.

22                        Just some quick facts about NSTAR. I  
23                        think many of you are familiar with the company.  
24                        It's the largest Massachusetts utility. So we

1 have -- that is, within the NU system -- arguably one  
2 of the smaller ones in Western Massachusetts  
3 Electric. You're also aware of National Grid. But  
4 the combination, then, of NU with Western Mass.  
5 Electric and NSTAR, will continue that position and  
6 have a very, very strong position within the state.

7                   You can see, in terms of customer  
8 count, there are about 1.1 million customers on the  
9 electric side, 300,000 or so on the gas side. And  
10 I'll kind of measure that against PSNH in a moment.  
11 And it's largely residential, like PSNH is  
12 residential. And it's a regulated platform. Almost  
13 100-percent regulated platform. And you can see that  
14 86 percent of their revenues are derived from the  
15 electric business, about 14 percent from the gas  
16 business. So they're predominantly an electric  
17 company that way. And they currently hire and employ  
18 about 3,000 people.

19                   Okay. Just turn the page, if you  
20 could, Allen, just in terms of some statistics here.

21                   One thing that I think is sort of an  
22 interesting item, and it's really that second bullet.  
23 They have 35,000 miles of distribution lines, with  
24 37 percent underground. PSNH has about 14,000 miles

1 of distribution, but only 11 percent underground. So  
2 when you're sort of thinking about these businesses,  
3 they're very different distribution businesses, given  
4 the concentration of underground. So when we're sort  
5 of thinking about kind of O & M costs and costs per  
6 mile and maintenance, et cetera, even the technology  
7 to keep these sorts of systems up and running, that's  
8 something that we'll spend some time on: How does an  
9 underground system differ from really a distribution,  
10 kind of overhead system? And they both have about  
11 950 miles or so of transmission overhead.

12 In terms of sort of size and scale on the  
13 distribution rate base, you can see the statistic  
14 there. Distribution rate base at NSTAR for year-end  
15 '09 was \$2-1/2 billion. It's about \$1.5 billion for  
16 PSNH. So, you know, almost every measure -- of  
17 course, NSTAR is a larger firm than PSNH. But it's a  
18 different firm, in that they're much more of an urban  
19 utility. A lot of concentration in Boston, a lot of  
20 underground facilities as well. And like PSNH,  
21 they're a FERC business. Their transmission business  
22 has a tariff established and set by the FERC, and its  
23 rates and ROEs are also determined by the FERC.

24 On 9, just some -- a quick set of statistics on

1           their gas business. As I said earlier, 300,000  
2           customers. If you can kind of look through some of  
3           these bullets here, it's sort of a typical LDC type  
4           of business, in terms of the service they provide.  
5           Their residential customers can choose their own gas  
6           supplier as well. And they have a fairly small, but  
7           \$500-million-ish rate base. As I said, it's about 14  
8           or 15 percent of the revenues of that company.

9           Change topics a little bit. But I think this is  
10          one that's important. On Slide 10, in terms of just  
11          managing their costs, this, again, is a very, very  
12          significant focus and has been a very successful  
13          focus for NSTAR over the years, in terms of just  
14          looking at their non-fuel O & M expense and their  
15          ability to really control those costs.

16          They, too, did a merger in about 1999 with  
17          Commonwealth Energy and really acquired a number of  
18          small utilities through that process. And they have  
19          been managing their costs, and they have been -- you  
20          can see the numbers here -- sort of growing those  
21          costs at less than a 1-percent compounded annual  
22          growth rate in an inflation environment that was two  
23          to three times that. So, very, very good answer for  
24          the customers during that time frame.

1           They do have a pension and benefits tracker, as  
2           do most of the Massachusetts utilities. But away  
3           from that, very, very impressive in productivity and  
4           performance-driven culture, and very, very impressive  
5           statistics in overall results as well. We would hope  
6           that that is one of the synergies, if you will, of  
7           really being able to use that leverage, that  
8           behavior, and that skill set to do the same for PSNH  
9           over the years.

10          On Slide 11, I mentioned this earlier. But,  
11          again, a very, very impressive balance sheet and  
12          financial profile for NSTAR. In fact, they have the  
13          No. 1 rating of an electric utility in the S & P  
14          universe. So, in terms of just credit quality and  
15          financial wherewithal and balance sheet strength,  
16          that will add to the overall NU system. And PSNH  
17          will directly benefit from that, because rating  
18          agencies, like Standard & Poore, look at the totality  
19          of the NU system. They don't necessarily look at  
20          just PSNH. So, if the average company within NU is  
21          improving, PSNH's credit quality will improve as  
22          well. And that is what I said earlier. That should  
23          reduce interest costs over time. If you just look at  
24          where PSNH's rated right now, they're at a Triple

1           B-plus, which is several notches lower than A-plus.  
2           And what we might find is PSNH could become, because  
3           of this transaction, an A-rated utility. For those  
4           of you who have been following PSNH for quite some  
5           years, it's been a while since PSNH was an A-rated  
6           utility. So that's something that we will keep this  
7           Commission up to date on.

8           Let's turn to the merger itself. In terms of  
9           the merger, we've called it a "merger of equals."  
10          We'll touch on that in a moment.

11          When we announced this transaction on  
12          October 18th of last year, we said that it would be 9  
13          to 12 month, in terms of the time frame for  
14          approvals. So that will land sometime mid-July and  
15          mid-September of this year. And we're on course for  
16          that. And those approvals are required for both  
17          federal shareholders and the state, and we'll show  
18          you a depiction of that set of approval requirements  
19          in a moment.

20          We've said, because it's a merger of equals,  
21          we'll have dual headquarters. And that will be the  
22          case. NSTAR is headquartered out of the Prudential  
23          Center in Boston, and we are headquartered in  
24          Connecticut. And we anticipate, going forward, that

1       we will continue to have a very strong presence in  
2       those states and continue to have the presence in our  
3       own office here in Manchester, New Hampshire.

4           You know this by now, but just to be clear. The  
5       Company name will be Northeast Utilities. Northeast  
6       Utilities is the acquiring entity, the legal and  
7       accounting acquiring entity. And I'll show you how  
8       that works in a moment.

9           In terms of the consideration, it's  
10       stock-for-stock, which means if you're a NSTAR  
11       shareholder, you're going to exchange your NSTAR  
12       shares for NU shares. And the NSTAR share and ticker  
13       symbol will eventually go away. We have structured  
14       this so that it's a tax-free transaction. I'll touch  
15       on that in a moment. Importantly, there's no  
16       acquisition premium. And to do this, there's no cash  
17       involved, there's no premium paid to NSTAR  
18       shareholders. It is an exchange-ratio transaction.  
19           You see that in the next bullet. The 1.312 is simply  
20       the share price of NSTAR divided by the share price  
21       of NU within the 20 prior trading days leading up to  
22       the announcement.

23           When you look at the pro forma ownership, all  
24       that really means is what was the size of ownership

1 by NU, in terms of the market value of its equity  
2 outstanding versus NSTAR's equity value. And you'll  
3 see that NU is actually the bigger company. About  
4 56 percent of the equity value of this combined  
5 company would have been from the existing NU  
6 shareholder base and 44 from the NSTAR shareholder  
7 base. I want to emphasize, of course, that when we  
8 have a legal consummation of the transaction,  
9 everyone is an NSTAR -- excuse me -- NU shareholder.  
10 But just in terms of where is the value today, it's  
11 this 56 and 44 percent.

12 In terms of overall governance, you can see a  
13 number of items here. Chuck Shivery is to be the  
14 non-executive chairman. Chuck is the CEO, president  
15 and chairman today of NU, but he will stay on for a  
16 period of 18 months as the non-executive chairman.  
17 Tom May is the CEO, president and chair of NSTAR. He  
18 will become the new CEO of the combined company, NU.  
19 There will be 14 board members. Again, in concert  
20 with this "merger of equals" statement, there will be  
21 an even split: Seven board members from NSTAR, seven  
22 board members from NU.

23 Let's spend a moment on the current structure  
24 and then how this will work its way into the combined

1 company. So on the left side of this page you can  
2 see Northeast Utilities. You should recognize this.  
3 We have a number of existing subsidiaries, sometimes  
4 referred to as "first tier" or "drop down"  
5 subsidiaries, including PSNH. We would -- for  
6 example: We would own 100 percent of the common  
7 equity in PSNH. And they are a first-tier  
8 subsidiary. We have formed two additional  
9 subsidiaries. You can see them here, NU Holding  
10 Energy 1, LLC, and NU Holding Energy 2, LLC. Holding  
11 Company 1 is often referred to as "the merger sub."  
12 Holding Company 2 is often referred to as "the  
13 acquisition sub." And I will tell you why that is  
14 relevant going forward.

15 On the right side is NSTAR's structure. And it  
16 is similar to Northeast Utilities, in that it's a  
17 holding company that has its franchises that we just  
18 discussed earlier. So, NSTAR Gas and NSTAR Electric  
19 will be sort of a first-tier sub, the way that PSNH  
20 is a first-tier sub to NU.

21 So, let's start with the transaction. It's a  
22 two-step transaction. And that is being done to  
23 structure, from an IRS standpoint under federal tax  
24 code, a stock-free -- excuse me -- a tax-free,

1 stock-for-stock transaction. So, if you're a NSTAR  
2 shareholder, when you exchange your NU stock -- or  
3 excuse me -- your NSTAR stock for NU, you will not  
4 pay federal taxes. Technically, this is called a  
5 reorganization under the Federal Tax Code 368-A, a  
6 reorganization structured very deliberately for this.  
7 That's why we have this two-step process.

8 In the first step, you can see NSTAR in green  
9 here. NSTAR will actually merge, then, with its NU  
10 holding company, NU Holding Energy LL 1. NSTAR will  
11 become the named entity there, and it will become the  
12 surviving trust, okay. And that just occurs for just  
13 a moment.

14 And if you move to the next slide, Allen, you'll  
15 see that in the second step, that NSTAR is actually  
16 acquired by NU Holding Energy 2, and it is renamed  
17 NSTAR, LLC. And NSTAR, LLC is the first-tier  
18 subsidiary of Northeast Utilities. And while this is  
19 happening, the existing NU subsidiaries, whether it's  
20 PSNH or CL&P, remain unchanged. There is no change  
21 in ownership. There is no change in structure,  
22 legal, accounting or otherwise. Nothing changes for  
23 any of those companies.

24 When you're done, on Page 16, what you'll see at

1       the completion of the two-step process is existing NU  
2       subsidiaries off to the left here and then NSTAR,  
3       LLC, which is, in effect, the holding company for its  
4       first-tier subsidiaries, NSTAR Electric and NSTAR  
5       Gas.

6           And laid out in a little bit more detail on the  
7       next slide, and this should look familiar to you, is  
8       this sort of the pro forma view of how the Northeast  
9       Utilities Holding Company will look. So these are  
10      all of our holding companies. There you can see PSNH  
11      towards the left, and over towards the right you can  
12      see NSTAR, LLC.

13       And, again, just to emphasize this point:  
14       Nothing changed about PSNH before the transaction, NU  
15       held 100 percent of the common shares of that  
16       company. During and after, we continue to hold  
17       100 percent of the common shares of PSNH. It was  
18       never moved. It was never reorganized. It was never  
19       restructured. It remains right there, very  
20       similar -- in fact, exactly similar to CL&P or Yankee  
21       Gas or Western Massachusetts Electric.

22       From a management organization standpoint, and I  
23       touched on this a little bit earlier, you can see in  
24       green there is the board of trustees. There will be,

1 as I said, seven from NSTAR, seven from NU. NU will  
2 have the non-executive chair. We've named that.  
3 That is Chuck Shivery. And we will also have the  
4 lead trustee. Tom May will be the president and CEO  
5 of the company. Again, dual headquarters in both  
6 Boston and in Hartford. And we have announced Tom  
7 May's leadership team. So his direct report team,  
8 you can see those individuals here. Again, within  
9 the spirit of the merger of equals, there are three  
10 executives from the existing Northeast Utilities and  
11 three from the existing NSTAR. So you should  
12 recognize Greg Butler. He will be the new general  
13 counsel of this company. You should recognize my  
14 name, David McHale. I will not be the chief  
15 financial officer. I will be the chief  
16 administrative officer. In fact, I will run customer  
17 care and customer experience as part of this  
18 transaction. And perhaps you also know Lee Olivier.  
19 Lee is with NU, and he will be the chief operating  
20 officer. And then, from NSTAR, Jim Judge will be the  
21 chief financial officer. Jim is currently the chief  
22 financial officer of NSTAR. Chris Carmody will run  
23 HR. And then you can see Joe Nolan, and Joe Nolan  
24 will be the senior vice-president of customer

1           relations. So we've kind of built this sort of  
2           merger of equals both at the board level and now  
3           within the leadership team.

4           **QUESTION BY COMMISSION:**

5           **CHAIRMAN GETZ:** Mr. McHale, I think --  
6           going back to 17, on the org chart. What's the  
7           effect on operations at the wholesale transmission  
8           level? Are NSTAR and NU going to still maintain  
9           their own tariffs at FERC? Is it going to affect  
10          relationships with ISO? Is NEPOOL membership  
11          affected in any way? How does that play out?

12          **MR. McHALE:** From a legal and  
13          corporate structure, first of all, nothing changes.  
14          You don't see transmission on here. Transmission is  
15          owned by the legal entity in each state. So, PSNH  
16          owns the transmission, as they own the distribution.  
17          That will not change. We're not moving that to a  
18          different company. We're not going to reorganize the  
19          way that looks. Going forward, we anticipate that  
20          PSNH will then have its tariff filed with the FERC,  
21          as well the other operating companies. We don't  
22          anticipate that changing in the near term. I'm not  
23          sure that will change even in the longer term. So I  
24          don't think you should expect changes there.

1 CMSR. IGNATIUS: Mr. McHale, building  
2 on that, though, the relationships through Northeast  
3 Utilities and how they impact rates that are set at  
4 FERC and passed down to the subsidiaries,  
5 specifically the RNS and LNS tariffs for Public  
6 Service here, would that see any sort of change, good  
7 or bad, as a result of the transaction?

1 costs down through those tariffs will change. I'd  
2 ask my colleagues if they have some additional views  
3 on that.

4 MS. THIBDAUE: Yeah, I would just add  
5 a little clarification. NU has a system-wide  
6 transmission tariff that all the CL&P and PSNH will  
7 be rolled up into that. We do not anticipate that  
8 we're going to have to merge the NSTAR tariff into  
9 that tariff. We believe NSTAR will keep its separate  
10 tariff, and we will keep the NU system tariff  
11 separate. Years ago, FERC would have required us to  
12 roll them together. That doesn't seem to be their  
13 practice of late. And we don't anticipate that we're  
14 going to have to roll them together. So, as David  
15 said, as we go through the integration and  
16 cost-efficiencies, that will be allocated, you know,  
17 to each of the system companies the way we do  
18 allocations. Does that help?

19 CMSR. IGNATIUS: It does. Thank you.

20 CMSR. BELOW: And so will the NSTAR  
21 operating subsidiaries, like NSTAR Electric, maintain  
22 their identity as NSTAR operating companies?

23 MR. McHALE: They will.

24 CMSR. BELOW: Okay.

1                   MR. McHALE: That was one of the  
2 original discussion items, in terms of the basic  
3 operating model and management model of this company.  
4 So you should expect to see that PSNH will maintain  
5 its identity, as will our CL&P company, and, in turn,  
6 NSTAR Electric. In fact, we kind of structured it  
7 that way and already named the officers who would run  
8 NSTAR Electric and NSTAR Gas.

9                   CHAIRMAN GETZ: Thank you.

10                  MR. McHALE: On the regulatory  
11 timeline, we talked about that a little bit. We  
12 announced the merger on October 18th. We've been  
13 working our way through the regulatory time frame and  
14 the regulatory filings. We have filed much of this  
15 so far at both the state and the federal level in  
16 Massachusetts, at the FERC, in particular, where  
17 we've had perhaps most of the activity.

18                  On the shareholder-approval side, both  
19 sets of shareholders must approve the transaction.  
20 Both sets of shareholders require two-thirds approval  
21 of the outstanding shares. We have already  
22 designated March 4th as the special meeting to  
23 consummate that vote. And we're in the process, the  
24 solicitation process now, and our shareholders are

1           actively voting on the transaction.

2           In Massachusetts, we have a docket  
3           calendar out that we are currently running through.  
4           We're in the discovery process there. On April 6th  
5           through roughly the 22nd, there will be hearings in  
6           the evidentiary process that ends towards the end of  
7           May. And we anticipate that approvals would be  
8           granted in the July time frame.

9           Then, lastly, in terms of the specific  
10          impacts on PSNH. And I think you probably gathered  
11          some of this --

12          QUESTION BY COMMISSION:

13          CHAIRMAN GETZ: Well, before we jump  
14          there, this just caught my eye. The second quarter  
15          of 2011, the Maine PUC, is that the Somersworth  
16          facilities? What's jurisdictional in Maine?

17          MS. THIBDAUE: Wyman 4.

18          MR. BERSAK: The jurisdictional  
19          facilities that we have in Maine that make us subject  
20          to their regulations, the Public Utilities in Maine,  
21          are the transmission facilities we have in York  
22          County. So the things that go, like, from Berwick  
23          into York, we have two transmission lines there.

24          We have the Three Rivers substation

1           that serves Central Maine Power customers. And  
2 basically, one end is across the river from our  
3 Newington and Schiller stations, and Newington and  
4 Schiller feed into that transmission system that go  
5 across southern York County and then back into New  
6 Hampshire.

7           And then we have one other piece of  
8 transmission that's up near Swans Falls, and that  
9 goes into Fryeburg, Maine, into the Conway area. And  
10 those are the utility assets that we have that  
11 provide the Maine PUC with jurisdiction over PSNH.

12           And as you're aware, PSNH does own a  
13 very small percentage, just north of 3 percent, of  
14 Wyman 4. But since they're de-regulated, that  
15 doesn't really give jurisdiction of the utility over  
16 PSNH. But we do have that ownership still on that  
17 station.

18           CHAIRMAN GETZ: Okay. Thank you.

19           CMSR. IGNATIUS: And also in that  
20 block, it says that you need regulatory approval from  
21 the FCC. Why is that?

22           MR. BERSAK: We have a number of radio  
23 licenses that NSTAR has that have to be transferred  
24 over to a new licensee. So the FCC has to make sure

1           that the transfer would be in the public interest.

2           And as I'm -- I think that we've received that.

3                   MR. HORAN: We've received that.

4                   MR. BERSAK: We've received that  
5                 approval already.

6                   CMSR. IGNATIUS: Okay.

7                   CHAIRMAN GETZ: Thank you.

8                   MR. McHALE: And the last slide that  
9                 we have offered here is the specific impacts on PSNH,  
10                which we really have touched on many of these. But  
11                hopefully it's apparent that no changes to the rates  
12                or services of PSNH are contemplated. So, nothing  
13                around specific tariffs, rate design, the way that  
14                we're delivering service to our customers, no  
15                expectations of a change there. And in terms of  
16                PSNH's corporate structure, no change to their  
17                corporate structure. No consolidation of PSNH. No  
18                merger of PSNH into any of the other affiliates. We  
19                went through that. There's no legal or accounting or  
20                financial change of control of Northeast Utilities,  
21                the holding company. The merger itself will not  
22                result or trigger any change in control over PSNH.  
23                As an example: PSNH's debt remains outstanding.  
24                There's no change of control over its debt. There's

1 no call or restructuring of its balance sheet or  
2 capital structure. That will stay in place. We do  
3 not anticipate any change in PSNH's dividend policy  
4 or capital structure. We expect that there will be  
5 continuity in that as well.

6 We do think that, over time, PSNH and  
7 its customers will benefit from the scale of this  
8 merger and reduce costs. We talked about that a  
9 little bit. I don't think that's going to happen  
10 early in the process. I think it's going to take us  
11 quite some time to really integrate these companies  
12 and merge these companies and create further  
13 synergies and benefits. I think they are there, but  
14 that's not something that we're going to see  
15 initially. We will drive towards that over time, and  
16 we'll do that prudently and carefully.

17 We did say that, particularly given  
18 the economy, this transaction was not about layoffs.  
19 We're not going to create synergies by reducing our  
20 work force in Manchester or Boston, or in  
21 Connecticut, for that matter. That's something that  
22 would be integrated over time. We know there is  
23 duplication, but we were very focused and very  
24 deliberate in how we impact people in our communities

1 and economic development as we bring these companies  
2 together.

3 We've already said that we are very  
4 committed to our existing policies around supporting  
5 both our philanthropy, our communities, our employee  
6 base. And I think that's something you'll see us be  
7 quite deliberate about.

8 And then, lastly, and we touched on  
9 this, no adverse impacts on rates, terms, operations  
10 for PSNH. Nothing negative that we really see at all  
11 going forward.

12 Okay. So that would just maybe  
13 conclude my prepared presentation. We'd be happy to  
14 take additional questions from the Commissioners.

15 CMSR. IGNATIUS: Mr. McHale, I do have  
16 a few other questions. Feel free to pass it on to  
17 anybody else if that would be better.

18 You said that you don't anticipate  
19 layoffs. That's not how you would expect synergies  
20 to occur. Are there other employee changes that are  
21 likely to result, in terms of employee benefits or  
22 terms of employment?

23 MR. McHALE: Those are items that  
24 we're studying right now. We do have different

1 benefit plans and programs. Perhaps the one that has  
2 the most dissimilarity is our benefit programs, our  
3 pension programs. For PSNH, we have a defined -- for  
4 all new employees, we have a defined contribution  
5 program, a 401(k) type of structure. For NSTAR, they  
6 have something akin to a defined benefit program,  
7 although it has been updated over the years. We have  
8 to sort of think about how those plans remain and  
9 whether we sort of homogenize those plans, whether we  
10 introduce one combined pension plan. We have not  
11 done that yet, but that's something that we'll be  
12 studying. In fact, we're already engaged in studying  
13 that.

14 CMSR. IGNATIUS: And similarly on  
15 retirement benefits, is that -- are you also studying  
16 now how those will go in the future?

17 MR. McHALE: We are. We are.

18 CMSR. IGNATIUS: I take it you have  
19 the option to seek some sort of common package for  
20 employees or maintain things very separately from one  
21 company to another.

22 MR. McHALE: Well, we have the option,  
23 certainly, to maintain things separately. We don't  
24 have a full array of options to homogenize every

1 plan. There are union contracts, and certain  
2 employee classes have contracts. And so it's not as  
3 easy as saying we're going to create sort of one  
4 unified plan that sort of fits both sides of the  
5 equation.

6 CMSR. IGNATIUS: You also said that on  
7 the call centers and locations in Manchester and  
8 elsewhere, that you said they may not change. Do you  
9 know anything more definitive than that?

10 MR. McHALE: Yeah, I apologize. I'm  
11 really not trying to be coy on this. I'm being a  
12 little guarded only because, like everything else in  
13 the integration process, we have not made decisions.  
14 I anticipate that we aren't going to have real  
15 transformative and real profound changes around that.  
16 In the back of my mind, I'm being even more careful,  
17 because, going forward, I know I'm going to be  
18 running these organizations. I've got a little bit  
19 of learning to do myself. But I think that we've had  
20 great success at Northeast Utilities over the last  
21 three or four years, in terms of improving our own  
22 customer service and our customer satisfaction. And  
23 nobody wants to see that sort of change. NSTAR has  
24 made great strides over the last decade and has very,

1                   very good performance criteria. Nobody wants to  
2                   upset that, either. But the combination of these  
3                   two, at the very least, should create benefits when  
4                   you look at maybe integrating the way we do business,  
5                   in terms of common technologies and platforms and the  
6                   like. I just can't see a situation right in front of  
7                   me that would pick up all of these call centers and  
8                   move them to a different location or consolidate  
9                   them. But I'm going to stop short of saying that  
10                   definitively because that just has not been studied.

11                   CMSR. IGNATIUS: Well, for those  
12                   people working in Manchester, should they have any  
13                   concerns that, come the closing date, they will not  
14                   be working in Manchester anymore?

15                   MR. McHALE: They should not have  
16                   those concerns.

17                   CMSR. IGNATIUS: When you do get to  
18                   the integration of systems and the difficulty of  
19                   software and platforms coming together that you  
20                   mentioned before, we know that that can be extremely  
21                   complex and that interface with customers can get  
22                   more difficult than you think it should be. Have you  
23                   either already worked on or do you have plans to  
24                   really develop and test out a system when you get to

1 some cutover, when you're sharing platforms or  
2 shifting from one to other?

3 MR. McHALE: Well, in terms of  
4 systems, I'd say our real priority right now, we're  
5 focused on what absolutely has to come together to  
6 close this transaction. And the first system is the  
7 financial system. So you can appreciate that we both  
8 have separate financial systems. We use them to kind  
9 of close the books and meet all of our legal  
10 requirements. Well, because NU is going to be the  
11 legal and the accounting acquirer, we need one  
12 financial system and one financial platform. We're  
13 examining how to use NU's financial platform to do  
14 that, so that when it's Q1, we're ready to go and we  
15 can close the books, announce earnings, and meet all  
16 our obligations and disclosure requirements. So  
17 that's sort of first. And, yes, that will be tested.  
18 We call that the "financial bridge." We think we  
19 have the information to do that and technology to do  
20 that. But as you sort of touched on, it's sort of  
21 one thing to kind of look at this in a vacuum, and  
22 it's another thing to actually go out and do it. And  
23 we do expect to experience some disruption. So that  
24 will happen. And if the merger closes in the third

1 quarter, we will be prepared to do it, and we will be  
2 prepared to do the testing. And that will be the big  
3 shakedown. We will not look at, probably, the  
4 customer care consolidation and that technology in  
5 that time frame. There's no need to do it. We're  
6 going to send out bills the way that we do it today.  
7 We'll do it timely and we'll do it accurately, and it  
8 will be done by the same professionals.

9 Sometime in the future, depending on  
10 the priorities of this company, we will then begin to  
11 think about: Are there additional benefits, cost  
12 benefits, reliability, service benefits of  
13 integrating these either virtually or physically?  
14 And so things like, you know, how do you use call  
15 center technology or automated response systems, or  
16 how do you get better information deployed to the  
17 field so that you can talk to customers about when  
18 service will be restored, all of that we need to kind  
19 of look at.

20 Generally, NSTAR has a slightly  
21 different technology philosophy because they do  
22 outsource some of their customer care technology. We  
23 have a new platform that we've invested in over the  
24 last three to five years that's working well. There

1 may be an opportunity to bring NSTAR onto our  
2 platform. We don't know for sure, but we suspect  
3 that may be an option. And we know from our own  
4 experiences, that bringing over a million and a half  
5 customers onto your customer care platform is a huge,  
6 huge project that involves data integrity, data  
7 translation. And you want to do that so there is  
8 really no disruption in customer service. We are not  
9 going to do that in three months. We may not even be  
10 able to do that in three years. But that is  
11 something we'll look at when the time is right.

12 So, a long answer. I apologize.

13 CMSR. IGNATIUS: No, it's very  
14 helpful. I appreciate it.

15 You said that the stock transaction is  
16 roughly 1.3 to 1, based on the stock prices leading  
17 up to the announcement of the merger; is that  
18 correct?

19 MR. McHALE: Yes, 1.312 to 1.

20 CMSR. IGNATIUS: Do you know what the  
21 share prices are today or what they were after the  
22 announcement was made?

23 MR. McHALE: I do. I do. And  
24 roughly, the stock prices have sort of responded and

1 have increased about 10 percent for NSTAR and about  
2 8 percent for NU since we announced on October 18th.  
3 So, if you looked at NU shares today, they'd be in  
4 the \$33 range, and NSTAR would be in the \$44-ish  
5 range.

6 CMSR. IGNATIUS: When it initially was  
7 announced, was there a drop in the NU share price?

8 MR. McHALE: In the first couple of  
9 hours, there was a drop. And then, what we've seen  
10 over -- it was announced on a Monday. The market  
11 opened at 9:30, as it does. Over, as I said, the  
12 first few hours, and maybe the day, there was a very  
13 small drop. And over the balance of the week they  
14 responded very well. Both NSTAR and NU shares were  
15 trading up. And over the last several weeks and  
16 months we have significantly out-performed our peers  
17 in the business in the broader utility indexes in the  
18 business.

19 CMSR. IGNATIUS: I think the final  
20 thing I wanted to ask you is about the closing dates.  
21 They look like anticipated dates. I realize some of  
22 this is out of your control, in terms of other  
23 entities' approvals. Do you have a -- what's the  
24 closest target date you can give us for closing?

1                   MR. McHALE: We're planning the  
2 integration around the July 1st date. I think that's  
3 probably an aggressive date. So I think the earliest  
4 date -- and my colleagues at the table here can give  
5 their views. But I think probably the earliest would  
6 be a July time frame.

7                   MR. HORAN: Yeah, I think that's true.

8                   CMSR. IGNATIUS: Is there a drop-dead  
9 dead, that if you haven't reached all of your  
10 approvals by a certain date, the deal is off?

11                  MR. McHALE: There's not drop-dead  
12 date, but there's a date at which NSTAR and NU would  
13 have to agree to continue the merger agreement.

14                  CMSR. IGNATIUS: And what's that date?

15                  MR. McHALE: March --

16                  MR. HORAN: It's eighteen months after  
17 the initial agreement.

18                  MR. McHALE: So it'd be March of 2012.

19                  CMSR. IGNATIUS: I think the only  
20 other thing I forgot about, I'm sorry, is have you  
21 quantified yet fees and costs to make all of this  
22 happen?

23                  MR. McHALE: We have quantified fees  
24 and costs, and they're contained in the joint proxy

1 statement. So we've been quite public about them.  
2 And they're largely fees paid to investment bankers  
3 to help structure the transaction and render a  
4 financial opinion, and to outside law firms who have  
5 also helped and are helping to structure the  
6 transaction. And I believe that's in the \$60- to  
7 \$80 million range in total for both companies.

8 CMSR. IGNATIUS: Is there a way in  
9 which those expenses work their way down to PSNH  
10 ratepayers?

11 MR. McHALE: Well, as I said, we're  
12 not, at this point, looking to change any rates,  
13 tariffs, schedules, costs or otherwise in relation to  
14 this transaction. So, whether those costs flow to  
15 customers or not is subject to a rate case or future  
16 cost-of-service study and the like. It's really not  
17 the focus of the merger approval process.

18 CMSR. IGNATIUS: Thank you.

19 MR. BERSAK: Commissioner Ignatius,  
20 you asked about the current share price. I just  
21 checked, and within the last five minutes, if you  
22 were to divide NSTAR by NU, it comes out to 1.313.

23 CMSR. IGNATIUS: Thank you.

24 CHAIRMAN GETZ: Thank you, Mr. McHale.

1                   I guess at this point, Mr. Bersak, in  
2 terms of the other issue we set forth in our letter  
3 from the 18th, I believe it was, we spoke to the  
4 issue of jurisdiction. In your filing on  
5 February 1st, you set forth your position. I guess  
6 at this point I'd give you an opportunity to speak to  
7 that orally. What's your pleasure?

8                   MR. BERSAK: Thank you, Mr. Chairman.

9                   You're right. The Commission asked  
10 for two things in its letter that's at docket in this  
11 proceeding. One was to present the Company's opinion  
12 regarding the extent of the Commission's authority  
13 over the transaction under New Hampshire law. And we  
14 did file a detailed memorandum of law on the 1st of  
15 February. I don't want to just read that memorandum  
16 to you. But basically, in a very high level from  
17 what Mr. McHale just described to you, you see that  
18 PSNH is not going to be changed at all. PSNH will  
19 remain a first-tier subsidiary of Northeast  
20 Utilities. None of PSNH's properties are being sold  
21 or acquired or merged by anybody else. The PSNH that  
22 you see today will be the PSNH you'll see after the  
23 transaction is consummated.

24                   You also saw from the transaction

1 slides that Northeast Utilities will remain Northeast  
2 Utilities, and that Northeast Utilities is not being  
3 impacted by this merger through any kind of a sale or  
4 acquisition of NU's assets. Everything is happening  
5 at the subsidiary level below Northeast Utilities.

6 So the parent company of PSNH,  
7 Northeast Utilities, is also, likewise, not being  
8 sold, acquired or merged. This transaction is akin  
9 to an acquisition. The acquisition's happening at a  
10 level below the parent. It is very similar to what  
11 happened and what was discussed by this Commission  
12 when National Grid acquired the Niagara Mohawk  
13 system. There, there was a little twist where there  
14 was a change at the National Grid level that made the  
15 transaction jurisdictional. We don't have that  
16 twist. And in that decision that the Commission made  
17 back in 2001, in Order No. 23,640, but for that  
18 twist, which we don't have, the Commission said the  
19 transaction would not be jurisdictional. So that's  
20 the kind of transaction we have, one, that is not  
21 jurisdictional. More importantly, though, whether or  
22 not it's jurisdictional, the important thing is that  
23 PSNH's rates, terms of service and operations in the  
24 state will not be adversely impacted by this

1 transaction, but there's a significant likelihood  
2 they'll be benefitted from this transaction in the  
3 ways that Mr. McHale just described to you.

4 We presented to the Commission massive  
5 amounts of information, probably more than you ever  
6 wanted. And the Secretary asked if I -- if the  
7 Company could provide a summary of the things that we  
8 gave you to try to say, okay, what of this is  
9 important to this Commission with respect to PSNH's  
10 operations in the state. I've gone through that  
11 information that we provided and that's available on  
12 the web site, and we've made copies of some of that  
13 information that's available to the public that deals  
14 directly with the question that David McHale just  
15 talked to you about, how the transaction will affect  
16 NU and NSTAR operating companies, including PSNH.  
17 Many of the materials which I made copies of, which I  
18 will provide to you in a moment, are copies of data  
19 request responses made in the Massachusetts  
20 Department of Public Utilities proceeding; and,  
21 therefore, the responses address specifically NSTAR  
22 Electric, NSTAR Gas or Western Massachusetts Electric  
23 Company. You'll see the witnesses on each of the  
24 responses which I'm going to provide to you are both

1           David McHale and James Judge. But I think that these  
2           are high-level questions that address how will the  
3           operating companies be affected. And I think they're  
4           responsive to the Chairman's questions that you had  
5           of Mr. McHale during his presentation.

6                         Let me pass those out to you right  
7           now, and I'll ask Mr. Desbiens if he can pass them  
8           out to all the parties here. I'm going to provide  
9           you with three piles of information. One is the  
10          joint testimony of Mr. Judge and Mr. McHale that  
11          supported the petition before the Massachusetts  
12          Department of Public Utilities seeking approval of  
13          the transaction before that agency.

14                       The second thing I will provide you  
15          are a sample of the data request responses that  
16          Mr. Judge and Mr. McHale are witnesses on in that  
17          Massachusetts DPU proceeding which go directly to the  
18          issue of how the transaction will impact operating  
19          companies.

20                       And the third are just three  
21          additional extracts of things that have been filed in  
22          this transaction. These come from filings made with  
23          the Securities and Exchange Commission. And all  
24          these materials are on the Commission's web site.

1                   If you look at the joint testimony,  
2 this joint testimony from Mr. Judge and Mr. McHale is  
3 basically a, I don't want to call it an executive  
4 summary -- but they're executives and it's a summary,  
5 so you can call it that if you'd like -- of what the  
6 transaction is all about. It describes what the  
7 transaction is and describes how theres no net harm  
8 to the customers of the various operating companies  
9 and how each of those companies and their customers  
10 should benefit as a result of the transaction.

11                  If you look at the data request  
12 responses, these are -- you see they start off with  
13 the response to Data Request No. 1 from the  
14 Massachusetts regulator, asking for a description of  
15 the merger, which Mr. Judge and Mr. McHale has given  
16 very shortly, which refers back to the proxy  
17 statement, which in great amount is similar to the  
18 briefing that he gave you today.

19                  The second question had -- that was asked was  
20 what's the impact on the operating companies in  
21 Massachusetts. And the answer to that was that the  
22 merger is expected to have a favorable effect on the  
23 operating companies and on the customers of each  
24 company. As Mr. McHale described here today, the

1 merger would combine the resources of the two parent  
2 companies to create opportunities for strength and  
3 service quality, and the adoption of best procedures,  
4 which will yield savings to customers.

5 Question No. 3 was whether there will be any  
6 changes to the rates, prices, charges or terms and  
7 conditions of the companies or their operating  
8 companies as a result of the merger. And they note  
9 in the response that there are no requests for such  
10 change in rates, prices, charges or terms for any of  
11 the joint petitioners, operating company subsidiaries  
12 as a result of the transaction, but that over time  
13 there is the expectation that costs will decline,  
14 compared to what they would have been without the  
15 merger, as best practices are implemented to lead to  
16 improved efficiencies and lower costs.

17 The fourth question talks about the effects, if  
18 any, that the merger will have on the distribution or  
19 other rate components. Again, there's no change.

20 Question No. 5, any changes in electric and  
21 customer service as a result of the proposed merger,  
22 which gets, Mr. Chairman, to your question. And the  
23 response says that there's anticipation of no adverse  
24 effects on customer service, no service-quality

1 consequences, that there's a commitment from the  
2 companies to continue to provide high-quality  
3 customer service that meets or exceeds the customers'  
4 expectations. We expect that the customer service  
5 that was provided by the Company will be enhanced by  
6 best practices as we go forward and that there will  
7 be no compromise of the service qualities that's  
8 provided by the operating companies.

9 Similarly, Question 6 asked about impact on  
10 maintenance activities. None.

11 Question 7, interruptions, if there's any  
12 interruption in service. The answer there, also, is  
13 no anticipation of any kind of customer service  
14 interruptions. Daily, normal operations and  
15 emergency services will not change. Telephone  
16 response, it's anticipated will have no impact on  
17 non-emergency telephone response measures.

18 And as we get finally towards the end,  
19 Question 10: Explain how the merger will affect the  
20 emergency telephone response. Again, not anticipated  
21 it will have any negative impact on emergency  
22 telephone response.

23 How the merger will affect service appointments?  
24 No negative impact is anticipated on that issue,

1 either.

2 How will the merger affect monthly meter  
3 readings? No impact on that, either.

4 Question 13 talks about how will the merger  
5 affect customer -- our consumer division cases and  
6 billing adjustments. Again, no impact is expected.

7 I don't want to read each one of these, but I  
8 think these are the kind of high-level questions that  
9 have been responded to. And since Mr. McHale is  
10 sitting right next to me, I'll ask him.

11 If these questions were asked, identifying  
12 Public Service Company of New Hampshire instead of  
13 the Massachusetts operating companies of NU and  
14 NSTAR, would the answers be the same?

15 MR. MCHALE: We'd answer them the same  
16 way.

17 MR. BERSAK: Finally, the last extract  
18 I gave you was the one that starts off with  
19 "Northeast Utilities General Talking Points" on the  
20 front. What these are, are just representative of  
21 the information that we filed on the 1st. And the  
22 first one talks about what will customers see as a  
23 result of the merger. No merger-related rate  
24 changes. The same people will be providing the

1           service today that are -- tomorrow as are providing  
2           it today, but that we have great opportunities to  
3           leverage the resources to provide better reliability  
4           and better service going forward.

5                         The second one is something  
6           internally, which I think, Commissioner Ignatius, you  
7           were asking about. How will this impact operations,  
8           you know, the people working here today? Operating  
9           company leadership and headquarters will remain  
10          unchanged. So you get to see my smiling face here as  
11          early as tomorrow.

12                         And finally, the last page is from our  
13          application with the Federal Energy Regulatory  
14          Commission. That one, if you had to pick something  
15          out to read in addition to the Massachusetts  
16          information, the FERC filing is very important,  
17          because there was a very detailed analysis of what  
18          impact, if any, on competition in the region would  
19          the transaction have. And that detailed analysis  
20          indicates there would be no adverse impact on  
21          competition at the distribution, retail or on the  
22          transmission wholesale levels in the region as a  
23          result of this transaction. If you read the  
24          testimony of Dr. Hieronymus and the study he

1 provided, it provides a wealth of information as to  
2 why this combination will not create any adverse  
3 impact on the FERC level either.

4 I believe that answers the questions  
5 that we were asked to provide today, and we welcome  
6 any other questions what the Commission may have.

7 CHAIRMAN GETZ: Well, let me say two  
8 things: First, we're going to give the opportunity  
9 for others to speak. And to the extent of the issues  
10 raised with the issue of New Hampshire PUC  
11 jurisdiction, I'll give you an opportunity to respond  
12 at the end.

13 And also, I think I may have said at  
14 the beginning today we were going to give an  
15 opportunity for written comments two weeks from  
16 today, which would be February 21st, which, in  
17 thinking about it, I think it may be a holiday,  
18 President's Day. So let's make it Friday, the 25th,  
19 just so there's no confusion.

20 With that, Mr. Bersak, if there's  
21 nothing else, I'll give an opportunity for others to  
22 make comment or speak to the jurisdictional issues.

23 Mr. Linder.

24

1 MR. LINDER: Yes, Mr. Chairman. Thank  
2 you, and Commissioners. As the Commission is aware,  
3 I'm from New Hampshire Legal Assistance. New  
4 Hampshire Legal Assistance, for many years, has  
5 represented low-income and senior citizen customers  
6 and groups before this Commission. And as the  
7 Commission knows, New Hampshire Legal Assistance  
8 currently represents a 501-C:3 non-profit in  
9 Manchester called The Way Home. The Way Home  
10 provides counseling and advocacy services for  
11 low-income clients, particularly in the areas of  
12 housing and utilities. The Way Home sees several  
13 thousand low-income clients per year, and many of  
14 those clients of The Way Home are participants in  
15 various low-income and energy-efficiency programs  
16 that Public Service of New Hampshire participates in,  
17 including the Bill Assistance -- Electric Assistance,  
18 Discount Program, the Low-Income Energy-Efficiency  
19 Program and others. And the concern that we would  
20 like to convey to the Commission and to the  
21 Companies, which I think is implied in the Company's  
22 presentation this morning, is that Public Service  
23 Company will continue to operate and participate in  
24 the low-income Electric Assistance Program, the

1 statewide CORE Energy-Efficiency Programs, including  
2 the Low-Income CORE Energy-Efficiency Program. And  
3 as the Commission knows, and as The Way Home has  
4 experienced over the years, Public Service Company of  
5 New Hampshire has really been a leader in the area of  
6 providing and participating and maintaining well-run,  
7 very efficient low-income programs. And we would be  
8 very concerned if there were to be any impact as a  
9 result of this merger acquisition on those programs.  
10 And it would be helpful to alleviate that concern if  
11 the Company could make clear at some point, either  
12 verbally or in writing on the record, that the  
13 Companies do intend to maintain Public Service's  
14 leadership role in the low-income and  
15 energy-efficiency programs. And there was reference  
16 a little earlier this morning that there does not  
17 expect to be any change in the philanthropy aspect of  
18 Public Service's work.

19 And I assume, but would just like to  
20 make specific mention, of Public Service's leadership  
21 role again in the Neighbor Helping Neighbor Program,  
22 that it provides financial assistance from the  
23 electric companies and their customers to persons and  
24 households who are not strictly eligible for the

1 various low-income programs that I mentioned. And so  
2 participation in the Neighbor Helping Neighbor  
3 program is very important to the low-income  
4 community.

5 And with that, I would like to thank  
6 the Commission for the opportunity to present these  
7 remarks.

8 CHAIRMAN GETZ: Thank you.

9 Mr. Bersak, can you clarify, or Mr.  
10 McHale, the position with respect to -- well, I guess  
11 abiding by the system benefit programs that are  
12 required by statute and administered by the  
13 Commission, as well as Neighbor Helping Neighbor.

14 MR. BERSAK: Clearly, to the extent we  
15 have statutory or other legal obligations, those are  
16 going to be complied with. So, participation in the  
17 CORE Energy programs will continue. The use of  
18 system benefit charge funds will continue, as  
19 required by New Hampshire statute. But we certainly  
20 understand Mr. Linder's concerns, and those concerns  
21 are our concerns. So I don't expect there will be  
22 any degradation whatsoever in the kind of programs or  
23 support that we have for the low-income population in  
24 the state of New Hampshire.

1                   As you're aware, the Neighbor Helping  
2                   Neighbor program Mr. Linder discussed has been  
3                   administered, you know, out of PSNH for many years.  
4                   We provide all of the nonprofit administration. We  
5                   deal with the tax returns. And we do all that at no  
6                   charge to anybody. We just -- it's one of the  
7                   services that we provide. And I think you're also  
8                   aware that earlier this year, that the Northeast  
9                   Utilities Foundation provided \$100,000 grant to the  
10                  Neighbor Helping Neighbor Fund, so that we can  
11                  provide enhanced assistance to the low-income  
12                  population in the state. And it's my  
13                  understanding -- and I'm sure my colleagues to the  
14                  right will correct me if I'm wrong -- we don't  
15                  anticipate any degradation whatsoever in the kind of  
16                  philanthropy, charitable or low-income types of  
17                  services and programs going forward.

18                  MR. McHALE: And just to give you  
19                  further assurance, Commission, there's been no  
20                  directive to cut back, not only in New Hampshire, but  
21                  in any one of our states in which we do business on  
22                  our giving and our community support. In fact,  
23                  Mr. Bersak mentioned this. On the day we announced  
24                  the merger, we made a \$1 million commitment to our

1 system companies across the border for the Operation  
2 Fuel, and continue our commitment to this region. I  
3 do not anticipate that that will change. In fact, I  
4 think those programs will be strengthened. We would  
5 hope to bring to bear the very good work that NSTAR  
6 has done around energy efficiency and dealing with  
7 their own issues for low-income customers for the  
8 benefit of all our programs.

9 CHAIRMAN GETZ: Thank you.

10 Before I turn to Ms. Hatfield and then  
11 give opportunity for Staff, is there anyone else who  
12 would like to speak this morning?

13 (No verbal response)

14 CHAIRMAN GETZ: Okay. Hearing  
15 nothing, then Ms. Hatfield.

16 MS. HATFIELD: Thank you, Mr.  
17 Chairman. With respect to the legal question of  
18 whether the Commission has jurisdiction over the  
19 proposed merger, the OCA will take advantage of the  
20 Commission's offer for the parties to provide written  
21 comments within two weeks.

22 As a factual matter, we just wanted to  
23 raise the fact that the Company has made many  
24 representations, including stating that PSNH's rates

1 and operations will not be adversely impacted by the  
2 merger. But we just want to call to the Commission's  
3 attention all of the qualifying remarks that were  
4 also made related to the fact that they don't --  
5 can't see anything negative happening, but they are  
6 studying issues now. They acknowledge that they're  
7 very early in the process, so they aren't sure quite  
8 what will happen with customer care and related  
9 issues.

10 And looking at the Massachusetts data  
11 responses, which we don't think carry any weight here  
12 in New Hampshire, with all due respect, you'll note  
13 that on many of the responses there's a qualifier at  
14 the beginning where it states, "It is not anticipated  
15 that this merger will have any negative effect." And  
16 we would also just point out, as the Commission is  
17 aware, most utility filings seeking approval of this  
18 sort of transaction often have those types of  
19 statements. And so one of our concerns is that we  
20 have a transcript from this meeting and we have the  
21 Company's representations. But if there were to be  
22 changes in any of these areas that affect PSNH's  
23 customers without Commission review, we would be  
24 struggling to try to enforce some of these

1                   commitments the Company has made. Thank you.

2                   CHAIRMAN GETZ: Are you saying that in  
3                   the situation where the Commission did not have  
4                   jurisdiction over the merger, that that would be the  
5                   case, or it would be something that would play out in  
6                   the exercise of the Commission's normal jurisdiction?

7                   MS. HATFIELD: Well, if the Commission  
8                   doesn't play any role in this particular transaction,  
9                   such that we could get valid commitments from the  
10                  Company that are enforceable, we would find ourselves  
11                  in a situation where, for example, the Company comes  
12                  in, in its next rate case, and says, Oh, by the way,  
13                  we are going to move half of the customer service  
14                  reps in the Manchester call center somewhere else,  
15                  and this is how that will impact the rates in New  
16                  Hampshire. We wonder if we would find ourselves in a  
17                  situation where it would be too late to have an  
18                  impact on that type of a change. And, you know, when  
19                  the Company makes these representations about the  
20                  lack of negative impact to New Hampshire customers,  
21                  or even statements about possible benefits, it really  
22                  is their burden to prove that to the Commission. And  
23                  as I said, we will be providing in writing our  
24                  thoughts on jurisdiction. But while this session has

1           been very helpful, it causes us to wonder how the  
2           Commission would enforce any of the commitments that  
3           have been made. Thank you.

4                         CHAIRMAN GETZ: Thank you.

5                         Ms. Amidon. Anything from Staff?

6                         MS. AMIDON: We don't have any  
7                         specific comments at this time. We do appreciate the  
8                         Company coming in and discussing the transaction in a  
9                         little bit more detail. And we will consider what  
10                        was said today when we go back to our offices, and if  
11                        we have any comments, we'll be providing written  
12                        comments in accordance with the Commission's  
13                        instruction.

14                         CHAIRMAN GETZ: Okay. Thank you.

15                         (Chairman and Commissioners conferring.)

16                         CHAIRMAN GETZ: Mr. Bersak, let me --  
17                         I want to ask you a couple of questions about some of  
18                         the specific statutory provisions, to make sure I  
19                         understand what the Company's position is. And if  
20                         I -- let's start with 369-A. You cite  
21                         369-8,II(b)(1). And I'm going to focus on that first  
22                         introductory phrase. It says, "To the extent that  
23                         the approval of the Commission is required by any  
24                         other statute for any corporate merger or

1 acquisition," et cetera. And I think you stated that  
2 this is a -- it's been stated that this is a merger  
3 between equals. I want to focus on that beginning  
4 phrase and whether "to the extent that the approval  
5 of the Commission is required by any other statute."  
6 Is it your position that this does not constitute an  
7 independent grant of authority that, if the  
8 Commission were to have jurisdiction, it would need  
9 to cite to some other specific statutory provision?  
10 Is that effectively where the Company's coming from  
11 there?

12 MR. BERSAK: Yes. 369:8 provides the  
13 Commission with a way of dealing with a merger or  
14 acquisition that's jurisdictional without having to  
15 go through an entire adjudicative process. It says  
16 that, if a transaction is jurisdictional to the  
17 Commission, if the utility that's involved is able to  
18 provide information, a detailed written  
19 representation it says, within 60 days prior to the  
20 consummation of the deal, that the deal would not  
21 have any adverse effect on rates, terms, service or  
22 operation of the utility within the state, that the  
23 Commission may accept that and not go any further.  
24 But that section is based upon some other statute

1 providing a jurisdictional basis for the Commission  
2 to exercise authority over the transaction.

3                   In our case, we don't believe there is  
4 any other statute that provides the Commission with  
5 authority. But nonetheless, we are here well in  
6 advance of 60 days before this transaction is  
7 expected to close. And I believe that the Company  
8 has made an incredibly strong demonstration to the  
9 Commission that the transaction will not have any  
10 adverse impact on rates, terms, service or operation  
11 of the public utility within the state.

12                  And with respect to the consumer  
13 advocate --

14                  CHAIRMAN GETZ: I guess that's a  
15 concern I had when you were speaking to that issue.  
16 I think you were laying it out as the Commission does  
17 not have jurisdiction. But in any event, there's not  
18 going to be any adverse effect --

19                  MR. BERSAK: That's right. It's --

20                  CHAIRMAN GETZ: Excuse me. So, to the  
21 extent we don't have jurisdiction, you make these  
22 representations that we don't go through the  
23 procession that we would normally do.

24                  And in studying those representations,

1       it does start to raise some of the issues of, I  
2       guess, binding this, and I guess where it leaves us,  
3       because it really starts back to jurisdiction. And  
4       if you're saying we don't have jurisdiction, then,  
5       you know, in the first instance, there's -- if that  
6       is the case, then there's not much we can do in the  
7       first instance. So --

8                    MR. BERSAK: Well, there's always --  
9       Mr. Chairman, there's always something you can do,  
10      because regardless of whether this transaction goes  
11      forward or does not, we remain a public utility  
12      subject to the Commission's jurisdiction. And under  
13      R.S.A. 374:3, you've got your general supervisory  
14      powers over the Company --

15                  CHAIRMAN GETZ: Well, certainly after  
16      the fact, correct.

17                  MR. BERSAK: After the fact.

18                  With respect to the hypothetical that  
19      was posed by the Consumer Advocate, if we were to  
20      come in to this Commission at a subsequent rate case  
21      and say we've done something that impacts customer  
22      service, that will be subject to the jurisdiction of  
23      the Commission to determine whether that was a  
24      prudent measure or not. And if it was imprudent, we

1           would suffer the consequences. You know, you've got  
2           general supervisory over our operation. You have  
3           plenary authority over rates. That's not going to  
4           change. So if we were -- if something was to happen  
5           that we don't anticipate, that would still be subject  
6           to the Commission's jurisdiction, notwithstanding  
7           whether we had some kind of written document  
8           guaranteeing that something is going to happen or not  
9           happen. That's not going to change.

10           CHAIRMAN GETZ: Okay. Let me move on  
11           to 374:30 and at 374:33.

12           MR. BERSAK: Yes.

13           CHAIRMAN GETZ: It says any public  
14           utility may transfer or lease its franchise, works or  
15           system, or any part thereof, basically. So, I take  
16           it that your position is that this provision doesn't  
17           apply here because of the way the transaction is  
18           being structured; that there is no transfer or lease  
19           of franchise, works or system. Is that --

20           MR. BERSAK: Absolutely. As Mr.  
21           McHale said, PSNH is not going to be impacted by this  
22           transaction, you know, the legal part of the  
23           transaction at all. What is owned by PSNH today will  
24           continue to be owned by PSNH tomorrow. There will be

1 no transfer or sale of any of the franchise, works or  
2 systems of PSNH.

3 CHAIRMAN GETZ: And then, similarly  
4 with 374:33, that speaks to acquisitions. And your  
5 argument is that this is not an acquisition, it's a  
6 merger.

7 MR. BERSAK: Well, it's not an  
8 acquisition that impacts any holding -- any utility  
9 or holding company incorporated in or doing business  
10 in the state. Clearly, as you saw in the slides that  
11 Mr. McHale presented, there are -- there is a merger  
12 sub and an acquisition sub. So there is an  
13 acquisition, but it's happening in the Commonwealth  
14 of Massachusetts, not in New Hampshire. That's why  
15 the main regulatory review on the state level is  
16 happening in Massachusetts. But within New  
17 Hampshire, nothing is being acquired, nothing is  
18 being sold. So that's why 374:33 does not apply.

19 (Chairman and Commissioners conferring.)

20 CMSR. IGNATIUS: Mr. Bersak, one other  
21 question. Our statutes also address issuance of  
22 securities in 369:1, and some of the subsequent  
23 sections as well. Is it your view that the stock  
24 transactions here do not come within 369?

1 MR. McHALE: No. As I mentioned  
2 earlier, PSNH's capital structure will not change.  
3 PSNH, when they need to issue debt securities, will  
4 continue to do that as a PSNH entity. You will  
5 continue to have jurisdiction over the issuance of  
6 debt. Right now, PSNH, on occasion, does need common  
7 equity. That common equity is infused by Northeast  
8 Utilities, the holding company, in order to manage  
9 its capital structure in accordance with the  
10 rate-making set forth by this Commission. That will  
11 continue to happen in the future as well.

12 CMSR. IGNATIUS: And it's only  
13 Northeast Utilities stock transactions in this case.  
14 There's no PSNH stock in and of itself?

15 MR. McHALE: That's correct. That's  
16 correct. PSNH's stock is not publicly traded. It  
17 will not be publicly traded. It is not being used as  
18 part of this transaction.

**CMSR. IGNATIUS:** Thank you.

**CHAIRMAN GETZ:** Anything further?

Well, anything further from anyone or -- Mr. Bersak.

22 MR. BERSAK: We thank you for the  
23 opportunity to come and address this issue. I know  
24 it's something of great interest to the Commission.

1 And we are very excited by the prospect of this  
2 transaction occurring and getting the benefits, both  
3 for employees and for customers moving forward. So,  
4 thank you very much, Mr. Chairman and Commissioners.

5 CHAIRMAN GETZ: Okay. Thank you.

9 (WHEREUPON, the public information  
10 session was adjourned at 11:55 a.m.)

## 1                   C E R T I F I C A T E

2                   I, Susan J. Robidas, a Licensed  
3                   Shorthand Court Reporter and Notary Public of  
4                   the State of New Hampshire, do hereby  
5                   certify that the foregoing is a true and  
6                   accurate transcript of my stenographic notes  
7                   of these proceedings taken at the place and  
8                   on the date hereinbefore set forth, to the  
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11                  I further certify that I am neither  
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15                  employee of any attorney or counsel employed  
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19                  Susan J. Robidas, LCR/RPR  
20                  Licensed Shorthand Court Reporter  
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