

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

February 1, 2017 - 1:04 p.m.
Concord, New Hampshire

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RE: DT 16-872
CONSOLIDATED COMMUNICATIONS
HOLDINGS, INC.: Joint Petition for
Findings in Furtherance of the
Acquisition of FairPoint
Communications, Inc., and its New
Hampshire Operating Subsidiaries by
Consolidated Communications Holdings,
Inc. (*Prehearing conference*)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES: Reptg. Consolidated Communications
Holdings, Inc.:

Susan S. Geiger, Esq. (Orr & Reno)

Reptg. FairPoint Communications, Inc.:
Paul J. Phillips, Esq. (Primmer...)

Reptg. IBEW Locals 2320, 2326 & 2327
& CWA Local 1400 (Labor Intervenors):
Scott J. Rubin, Esq.

Reptg. PUC Staff:
David K. Wiesner, Esq.
Michael Ladam, RI&S Division
Lisa Cleveland, RI&S Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this afternoon in Docket DT 16-872, the Joint Petition by FairPoint and Consolidated Holdings -- rather, Consolidated Communications Holdings regarding an acquisition. I will not read from the Order of Notice. The prehearing conference has a number of issues we need to talk about, I think, and then you're going to be having a technical session following the prehearing conference.

Before we do anything else, let's take appearances.

MS. GEIGER: Yes. Good afternoon, Mr. Chairman and Commissioners. I'm Susan Geiger from the law firm of Orr & Reno, in Concord, and I represent Consolidated Communications Holdings, Inc. And with me today from the Company is Mr. Michael Shultz, who is Vice President of Regulatory and Public Policy.

MR. PHILLIPS: Good afternoon, Mr. Chairman and members of the Commission. My name is Paul Phillips. I'm an attorney with

1 the law firm of Primmer, Piper, Eggleston &
2 Cramer, in Manchester, here on behalf of
3 FairPoint Communications, Inc. and its New
4 Hampshire operating subsidiaries. And I'm
5 joined by Mr. Michael Reed, who is the state
6 President of FairPoint in Maine, and he's also
7 the FairPoint witness in this proceeding.

8 MR. RUBIN: Good morning, Mr.
9 Chairman, Commissioners. My name is Scott
10 Rubin. I represent -- I'll read the whole list
11 here, I guess: The International Brotherhood
12 of Electrical Works, Locals 2320, 2326, and
13 2327; and the Communications Workers of
14 America, Local 1400. Collectively, we just
15 refer to that as the "Labor Intervenors", which
16 we think is much easier.

17 MR. WIESNER: Good afternoon, Mr.
18 Chairman, Commissioners. I'm David Wiesner,
19 Staff attorney at the Commission, representing
20 the interests of Commission Staff in this
21 docket. With me are Michael Ladam, the
22 Director of the Regulatory Innovation and
23 Strategy Division of the Commission, and Lisa
24 Cleveland, also with that Division.

1 CHAIRMAN HONIGBERG: All right. I
2 think we have a Motion for Confidential
3 Treatment and we have the intervention motion.
4 I think we are -- we're prepared to grant the
5 Motion for Confidential Treatment, unless
6 someone wants to raise a stink about that. We
7 appreciate the Company's care in identifying
8 what was confidential and marking it as clearly
9 as they did. For those who are frequent fliers
10 here, that is not always the case when we get
11 confidentiality motions. So, we appreciate the
12 work that was done on that.

13 Is there anything other than the
14 intervention motion in terms of pending issues?

15 MR. WIESNER: Not that I'm aware of,
16 Mr. Chairman.

17 CHAIRMAN HONIGBERG: All right. We
18 received an objection just a few minutes before
19 we came down, and I've skimmed it but haven't
20 read it carefully. Mr. Rubin, have you seen
21 the objection that was filed by Ms. Geiger?

22 MR. RUBIN: Yes, Mr. Chairman. And I
23 think we received it about 9:30 this morning.

24 CHAIRMAN HONIGBERG: Do you have

1 anything you would want to say in response or
2 reply to that?

3 MR. RUBIN: I'd be happy to provide
4 just a very brief response now. And, if you
5 want a written response, we certainly can
6 prepare that.

7 CHAIRMAN HONIGBERG: Well, no. If
8 you're prepared to discuss it, it will probably
9 make things go a little bit smoother. So, --

10 MR. RUBIN: Sure. I'd be happy to.
11 As I understand it, the Petitioners are
12 objecting to any participation in this
13 proceeding by the Labor Intervenors, because
14 Consolidated has agreed to assume the
15 Collective Bargaining Agreement.
16 Unfortunately, that's not nearly enough. And,
17 as this Commission knows, collective bargaining
18 issues are not something that can even be
19 raised in front of this Commission.

20 Our concern is with the financial,
21 managerial, and technical capabilities of the
22 proposed acquiring company, Consolidated.
23 Having a Collective Bargaining Agreement with
24 an employer who is not financially fit, who

1 does not understand what it means to own and
2 operate the dominant telecommunications carrier
3 in northern New England. If that were the
4 case, and we're not saying it is, but,
5 certainly, those would be important issues.
6 And our sole remedy to address those issues
7 lies with this Commission, and the sister
8 Commissions in Maine and Vermont, where we --
9 we've already been granted intervention in
10 Maine, and our motion is pending in Vermont.

11 But we -- as I said, we believe that
12 the Commission is the only avenue available to
13 us to address any concerns we may have with the
14 financial, managerial, or technical
15 capabilities of Consolidated. And those are
16 the issues we would limit ourselves to before
17 this Commission.

18 I would note that a similar concern
19 was raised ten years ago, when FairPoint
20 acquired Verizon's properties in the state. I
21 would refer you to, let's see, it was Order
22 Number 24,733, March 16th, 2007, Pages 3 and 4
23 of that order, this Commission addressed
24 similar types of concerns, granted labor the

1 right of full intervenors in that case, and
2 said that any specific issues -- or, any
3 specific questions regarding issues or subject
4 matter that labor might get into that would be
5 inappropriate would be addressed if they came
6 up. And, as best as I recall, which isn't
7 always perfect ten years ago, there were no
8 such issues.

9 I've been a regulatory attorney for
10 more than 30 years. My co-counsel, William
11 Black, I think is closer to 40 years as a
12 regulatory attorney. We well understand the
13 limits of the issues that can be raised before
14 this Commission, and we will limit our
15 presentation to that.

16 CHAIRMAN HONIGBERG: You indicated
17 that you were granted intervenor status in
18 Maine. Were any explicit limits placed on your
19 participation in the proceeding in Maine?

20 MR. RUBIN: No.

21 CHAIRMAN HONIGBERG: Mr. Wiesner,
22 does Staff have a position on the intervention?

23 MR. WIESNER: I think, you know, it
24 is fair to say that the scope of inquiry is

1 probably more limited here than it would be if
2 we were under a full public interest standard,
3 and that is acknowledged in the Order of Notice
4 in the docket and has been acknowledged both by
5 the Labor Intervenors and by the Companies, and
6 we recognize that as well.

7 We do believe that the Labor
8 Intervenors may have valuable insight and input
9 into the managerial and technical capability of
10 the potential acquirer, and in addition to
11 financial status of the acquirer.

12 And I think that, although the
13 Companies have raised some legitimate concerns
14 perhaps about the potential scope of inquiry
15 and how it might be used in future collective
16 bargaining negotiations, that that can be
17 managed through discovery.

18 So, Staff -- it's a long-winded way
19 of saying Staff does not object to the Labor
20 Intervenors' participation in the docket. And,
21 if issues arise, they can be managed down the
22 road.

23 CHAIRMAN HONIGBERG: That sounded a
24 little warmer than "does not object", I have to

1 tell you.

2 Ms. Geiger, anything, or,
3 Mr. Phillips, anything you want to add?

4 MS. GEIGER: No. I think that the
5 reasons for our position are laid out in our
6 response, and I won't belabor them here. I
7 think that they have been accurately reflected
8 in the remarks that both Attorney Rubin and
9 Mr. Wiesner gave, Attorney Wiesner.

10 CHAIRMAN HONIGBERG: Mr. Phillips.

11 MR. PHILLIPS: Yes, Mr. Chairman. As
12 the Joint Petitioners' response makes clear,
13 this proceeding is the first opportunity the
14 Commission has to consider the acquisition of
15 an ILEC/ELEC under the new statutory regime in
16 New Hampshire.

17 CHAIRMAN HONIGBERG: We're going to
18 go off the record for just a sec.

19 (Brief off-the-record ensued.)

20 CHAIRMAN HONIGBERG: All right. And
21 I apologize for stopping you and breaking your
22 momentum there.

23 MR. PHILLIPS: No, no. I appreciate
24 that very much, Mr. Chairman.

1 As our response to the Labor
2 Intervenors made clear in the filing this
3 morning, this is the first opportunity this
4 Commission has to consider an acquisition of an
5 ILEC/ELEC under the new statutory regime. And,
6 so, the statutory basis for the Petition is RSA
7 374:30, II, which is directed at examining the
8 financial, managerial, and technical
9 capabilities of Consolidated, but in a very
10 narrow way. It's to -- it's those capabilities
11 to maintain the obligations of an ILEC under
12 two other statutes. And those statutes have to
13 do with basic service obligations, affordable
14 basic service rate caps, reporting for basic
15 service, as well as wholesale obligations to
16 CLECs, IXC's, and wireless carriers, regardless
17 of the technology that they use. There's
18 nothing in those statutory schemes about the
19 public good or about any other contracts that
20 FairPoint may have with other parties or
21 entities.

22 And, so, that was why we raised the
23 objection, because we simply didn't see, in the
24 Labor Unions' Petition to Intervene that they

1 had stated a cognizable interest under that
2 statute. And, so, it was an objection more to
3 the basis of the Petition.

4 And, you know, moreover, the
5 transaction itself is designed specifically to
6 be seamless and not to disrupt any existing
7 agreements, including the Collective Bargaining
8 Agreements. And, in contrast to what Mr. Rubin
9 said about Consolidated, you know, being a part
10 of that Agreement, Consolidated will not be a
11 party to the Collective Bargaining Agreement.
12 The party will remain FairPoint. There's no
13 substitution of parties contemplated by this
14 transaction. There's no assignment of that
15 contract to Consolidated contemplated by this
16 transaction. So, in essence, the transaction
17 already addresses the concerns that Mr. Rubin
18 has raised, which is that nothing is going to
19 change in that Agreement as a result of this
20 transaction.

21 CHAIRMAN HONIGBERG: Assume for a
22 moment that we agree they may not have a right
23 to intervene, but that we think it might be
24 helpful for them to be here, the precedent is

1 there, at least limited such as it is under the
2 old statute, --

3 MR. PHILLIPS: Yes.

4 CHAIRMAN HONIGBERG: -- and what
5 appears to be going on in Maine, and I don't
6 know what's going to happen in Vermont. Are
7 there limits beyond saying they have to stay
8 within the scope of this proceeding, which I
9 think we all recognize --

10 MR. PHILLIPS: Yes.

11 CHAIRMAN HONIGBERG: -- is different
12 and is limited? Is there some limitation
13 beyond just saying "stay within the four
14 corners of the scope of this proceeding" that
15 you would be looking for in some practical
16 limitation on their participation?

17 MR. PHILLIPS: Well, what we would
18 contemplate is that the interest that the Labor
19 Unions have in the transaction is assuring
20 themselves that the agreements will remain
21 unchanged, in force and binding upon FairPoint.
22 And, so, if that's their interest, then we
23 would agree that they could intervene to
24 protect that interest. But the scope of their

1 intervention will be limited in that way. So,
2 they would be looking simply to assure
3 themselves, through discovery and otherwise,
4 that the agreements are not going to change in
5 any way as a result of this transaction.

6 CHAIRMAN HONIGBERG: Don't they have
7 a legitimate interest in making sure that the
8 ultimate parent of the company that their --
9 that they are contracting with has the
10 managerial, technical, and financial
11 wherewithal to do what they're required to do?

12 MR. PHILLIPS: Well, what they're
13 required to do under the statute is to maintain
14 the obligations of an ILEC. And those
15 obligations are defined in the statute as being
16 limited or being directed at affordable basic
17 service and certain wholesale obligations.

18 So, yes. They have an interest in
19 making sure that the parent company is
20 financially, technically, and managerially
21 capable of doing those things. But I guess our
22 argument would be that those things are not
23 found within the scope of the Collective
24 Bargaining Agreement?

1 CHAIRMAN HONIGBERG: Okay. Thank
2 you.

3 Is there anything anyone -- anything
4 else anyone wants to say regarding
5 intervention?

6 Mr. Rubin.

7 MR. RUBIN: Yes, Mr. Chairman. Just
8 a very brief response to what Mr. Phillips
9 said. The Merger Agreement between FairPoint
10 and Consolidated does refer to Consolidated's
11 obligations to FairPoint's employees. It talks
12 about change -- or, potential changes in
13 benefit plans, and crediting service, and all
14 sorts of things. So, it certainly looks like
15 they're -- that parties to the Agreement
16 contemplate that there will be a change of
17 employer or a change of responsible party under
18 some of these agreements and obligations.

19 So, that's, I think, a fairly minor
20 point for today, but it's important to
21 recognize that the Petitioners themselves have
22 recognized that there are some important
23 changes happening as regards FairPoint's
24 employees.

1 And, secondly, while I, obviously,
2 don't disagree with Mr. Phillips about the
3 Commission's jurisdiction or the scope of that
4 jurisdiction here, trying to limit the Labor
5 Intervenors only to the effect on the
6 Collectively Bargaining Agreement is much too
7 narrow, and, again, is not really within the
8 ambit of what this Commission can look at.
9 You're charged with ensuring that the proposed
10 acquiring company has the requisite fitness to
11 own and operate the utility, and those are
12 exactly the same kinds of concerns and
13 questions that we have right now. And, as I
14 mentioned earlier, we will limit our
15 presentation to those specific matters within
16 your jurisdiction.

17 CHAIRMAN HONIGBERG: Thank you,
18 Mr. Rubin. Is there anything else anyone wants
19 to say regarding intervention?

20 *[No verbal response.]*

21 CHAIRMAN HONIGBERG: All right. I
22 think we're going to take a couple of minutes
23 and talk about this. And it won't be long.
24 And, so, we'll go off the record and be back

1 shortly.

2 *[Recess taken at 1:21 p.m. and*
3 *the prehearing conference*
4 *resumed at 1:27 p.m.]*

5 CHAIRMAN HONIGBERG: Thank you for
6 your patience. Thank you for the thoughtful
7 discussion we just had. But we are going to
8 grant the petition of the Labor Intervenors to
9 participate in this docket on the discretionary
10 prong of the statute. We expect all the
11 Parties to respect the scope of the proceeding,
12 limited as it is. And, if anyone looks like
13 they're going to go outside of it, to bring it
14 to our attention and we'll deal with it.

15 Similar, with respect to use of
16 confidential information, having appropriate
17 limits placed on that is understandable, and
18 something I think all the Parties will deal
19 with appropriately. And, if other issues
20 arise, we'll deal with them as we need to.

21 Are there any other preliminary
22 matters we need to deal with before hearing
23 from the Parties on their preliminary positions
24 in this matter?

1 MR. WIESNER: I'm not aware of any,
2 Mr. Chairman.

3 CHAIRMAN HONIGBERG: All right.
4 Ms. Geiger, are you going to go first, you seem
5 to be grabbing the microphone?

6 MS. GEIGER: I will do that. Thank
7 you very much. Consolidated Communications
8 Holdings, Inc., and FairPoint, as the
9 Commission knows, have entered into an
10 agreement by which Consolidated will purchase
11 100 percent of FairPoint's stock. The value of
12 this transaction is approximately \$1.5 billion,
13 and Consolidated has already secured financing
14 for it.

15 Details about the transaction are
16 contained in the Joint Petition, which was
17 filed December 29th, 2016, in this docket, as
18 well as in the prefiled testimony of
19 Consolidated's Chief Financial Officer, Steven
20 Childers. I won't repeat all of that
21 information here, however, Consolidated would
22 like to point out one very important thing. As
23 a stock acquisition, this transaction is very
24 different from the 2008 -- 2008 transaction in

1 which FairPoint purchased assets from Verizon.
2 That transaction required FairPoint to develop
3 new systems to serve its wholesale and retail
4 customers, as well as a plan for transitioning
5 service from Verizon to FairPoint. In the
6 instant transaction, FairPoint, as an entity,
7 will remain intact post-closing. That means
8 that all of its systems, contracts, tariffs,
9 etcetera, will remain in place and will be
10 honored by Consolidated. Again, the only thing
11 that immediately changes post-closing is that
12 there will be a new stockholder, and that will
13 be Consolidated.

14 I'd like to give you just a brief
15 introduction to Consolidated, because they are
16 new to New Hampshire. It currently --
17 Consolidated does not currently operate here,
18 and therefore may be unfamiliar to the
19 Commission.

20 Consolidated is an experienced
21 telecommunications carrier, which has been in
22 the telecommunications business since 1894. It
23 commenced operations in Mattoon, Illinois,
24 where its corporate headquarters are still

1 located. Over the years, the Company has grown
2 both organically and through acquisitions.
3 Consolidated currently operates in eleven
4 states: California, Illinois, Iowa, Kansas,
5 Minnesota, Missouri, North Dakota,
6 Pennsylvania, South Dakota, Texas, and
7 Wisconsin.

8 Consolidated's companies include both
9 incumbent local exchange carriers, or ILECs,
10 and competitive local exchange carriers, CLECs.
11 And the list of the companies that Consolidated
12 owns is contained in an attachment to the Joint
13 Petition that was filed with the Commission on
14 December 29th. The services that these
15 companies provide include local or long
16 distance phone service, high-speed broadband
17 Internet access, standard and high-definition
18 TV and digital phone service, custom calling
19 features, private line services, and carrier
20 access services, among others.

21 All of Consolidated's ILEC
22 subsidiaries are designated Eligible
23 Telecommunications Carriers under federal law,
24 or ETCs, and they serve as carriers of last

1 resort in their service areas. In addition,
2 Consolidated Communications of Illinois is both
3 a tandem switch operator and a provider of E911
4 services in Illinois.

5 Consolidated's network covers over
6 14,000 fiber miles and serves approximately
7 219,000 residential broadband connections. It
8 serves 409,000 business broadband connections,
9 189,000 residential voice lines, both VoIP and
10 wireline, and 269,000 business voice lines,
11 again, both VoIP and wireline.

12 As the Commission indicated in its
13 Order of Notice, the standard of review in this
14 docket includes whether Consolidated is
15 technically, financially, and managerially
16 capable of managing and maintaining FairPoint's
17 obligations as set forth in RSA 362:8 and
18 374:22-p. Those statutory obligations largely
19 relate to ILEC obligations to their wholesale
20 and retail customers, as well as some limited
21 regulatory responsibilities, such as basic
22 service rate caps, rate reporting, and not
23 discontinuing residential basic service without
24 Commission approval. Additional obligations

1 include those that arose before February 1st,
2 2011, relating to broadband availability, soft
3 disconnect processes, and capital expenditure
4 commitments, all of which FairPoint has either
5 already met or is currently meeting.

6 Consolidated is also familiar with
7 FairPoint's responsibilities as a successor to
8 a Regional Bell Operating Company, or an RBOC,
9 as Consolidated has many of these same
10 responsibilities in its operating areas, such
11 as interconnection obligations, pole
12 attachments, and local access and transport
13 area, or LATA, obligations and LATA tandem
14 provider obligations.

15 So, with respect to Consolidated's
16 financial capabilities, I briefly note that
17 Mr. Childers' prefiled testimony contains
18 information concerning that issue.

19 Mr. Childers is Consolidated's CFO. The
20 Company's financial and operating results for
21 the past five years are very consistent and
22 solid on a stand alone basis, and specifically
23 good when you compare them to other peers. The
24 Company contributes or continues to reinvest 16

1 to 17 percent of its revenue back into its
2 business. Consolidated's revenue -- excuse
3 me -- credit rating is favorable as compared
4 with its peer companies and is rated higher
5 than FairPoint's.

6 The acquisition of FairPoint by
7 Consolidated is expected to produce a
8 financially strong company and produce
9 approximately \$55 million in synergies.
10 Consolidated's enterprise capitalization will
11 be approximately \$4 billion post-closing, so
12 FairPoint's assets will become part of a much
13 larger and stronger balance sheet. The
14 combined company will have scale, improved
15 purchasing power, increased market diversity
16 and fiber based assets, all of which will help
17 to deliver new products and services, and
18 improve and expand the fiber network and
19 service quality. Cash flow will improve for
20 the combined company at closing given that
21 Consolidated's recent financing will result in
22 better terms and reduced interest costs for
23 FairPoint's debt.

24 With respect to Consolidated's

1 technical capabilities, those are described in
2 Mr. Waggoner's prefiled testimony. Mr.
3 Waggoner is Vice President of Operations for
4 Consolidated. Consolidated has reviewed
5 FairPoint's network and has developed a plan
6 for integrating FairPoint into the Consolidated
7 companies. Because there is no system cutover
8 required for this transaction, FairPoint's
9 wholesale and retail customers will not
10 experience any changes post-closing from a
11 network perspective.

12 Mr. Shultz's prefiled testimony
13 indicates that Consolidated employs a very
14 skilled workforce of approximately 1,800
15 employees with extensive telecom experience.
16 On average, each employee at Consolidated has
17 12 years of experience. Because FairPoint will
18 remain intact post-closing, and because
19 Consolidated will honor FairPoint's existing
20 employment agreements and at-will employment
21 arrangements, Consolidated will be able to draw
22 on FairPoint's existing technical capabilities
23 to meet FairPoint's wholesale and retail
24 obligations.

1 And, lastly, with respect to
2 Consolidated's managerial capabilities,
3 Mr. Shultz's testimony also describes those,
4 and, in addition, there's an attachment to his
5 testimony that contains the brief biographical
6 information for the management team that will
7 have responsibility for overseeing FairPoint's
8 operations post-closing.

9 Consolidated has had substantial
10 success integrating acquired companies. Since
11 2004, Consolidated has acquired five companies
12 and has employed a highly structured project
13 management approach to each acquisition.
14 Consolidated's management has had significant
15 experience operating ILECs in rural and smaller
16 urban markets. They are aware of FairPoint's
17 ILEC obligations and will ensure that those
18 obligations continue to be met.

19 In short, Consolidated possesses the
20 requisite financial, technical and managerial
21 capabilities to maintain FairPoint's New
22 Hampshire ILEC/ELEC obligations.

23 Consolidated looks forward to the
24 technical session that we will have after this

1 prehearing conference, and would like to
2 develop a procedural schedule that will enable
3 the transaction to close on or before June 30th
4 of this year.

5 Thank you for the opportunity to
6 provide these comments.

7 CHAIRMAN HONIGBERG: Thank you, Ms.
8 Geiger. Mr. Phillips.

9 MR. PHILLIPS: Thank you, Mr.
10 Chairman, members of the Commission. FairPoint
11 Communications, Inc., on behalf of itself and
12 its New Hampshire operating entities, is
13 pleased to support the Joint Petition submitted
14 by FairPoint and Consolidated Communications
15 Holdings, Inc., on December 29th, 2016. The
16 Joint Petition, together with the Agreement and
17 Plan of Merger that accompanied it as an
18 exhibit, sets forth the terms by which
19 Consolidated will acquire ownership of
20 FairPoint and its New Hampshire operating
21 entities. The Joint Petitioners have asked the
22 Public Utilities Commission to find, under RSA
23 374:30, II, that Consolidated is technically,
24 managerially, and financially capable of

1 maintaining FairPoint's obligations as an
2 incumbent local exchange carrier set forth in
3 RSA 362:8 and 374:22-p. In FairPoint's view,
4 Consolidated fully satisfies the applicable
5 statutory standards. FairPoint asks the
6 Commission to act promptly to make the
7 requested findings and to allow the Joint
8 Petitioners to proceed expeditiously to a
9 closing on or before June 30th, 2017.

10 The proposed transaction brings
11 together two telecommunications companies with
12 complementary services and territories in a way
13 that will produce greater financial stability
14 and operational efficiency for the combined
15 company without disrupting any of the
16 operations systems, services or network
17 arrangements on the ground in New Hampshire.
18 The transaction will be seamless to FairPoint's
19 wholesale and retail customers in New Hampshire
20 upon closing.

21 As described in the Joint Petition
22 and in the prefiled testimony that Consolidated
23 and FairPoint filed this month -- or, last
24 month, in January, the transaction involves a

1 cash-free, all-stock exchange at the holding
2 company level, which results in an indirect
3 transfer of ownership of FairPoint and its New
4 Hampshire operating subsidiaries to
5 Consolidated. After the closing, FairPoint
6 will continue to exist and will continue to
7 directly own its New Hampshire operating
8 subsidiaries, which will continue to operate in
9 New Hampshire under their existing state and
10 federal authority. The transaction will not
11 require the issuance of any new operating
12 authority and will not involve the
13 discontinuance of any services. FairPoint,
14 through its New Hampshire operating
15 subsidiaries, will continue to provide services
16 at the same rates, terms, and conditions, and
17 will continue to be parties to, and be bound
18 by, all of their existing contracts,
19 agreements, arrangements, and orders. No
20 contracts need to be assigned and no parties
21 need to be substituted as a result of the
22 proposed transaction.

23 In addition, FairPoint will continue
24 to operate its existing network and back office

1 systems. No system cutovers are required as a
2 result of this transaction. FairPoint is
3 mindful of the challenges presented following
4 its 2008 acquisition of the Verizon's landline
5 assets and emphasizes that the present
6 transaction entirely avoids the transition and
7 system cutover issues that characterized that
8 2008 transaction. The present transaction is
9 expressly designed to be and will be seamless
10 to anyone in New Hampshire who receives
11 services of any kind from FairPoint.

12 From a financing standpoint, the
13 present transaction demonstrates the strength
14 of Consolidated's position in the credit
15 markets. As part of the stock transaction,
16 Consolidated will assume FairPoint's existing
17 long-term debt, which is due to mature in 2019.
18 Consolidated has already gone to the credit
19 markets to refinance that debt and has secured
20 financing at lower interest rates and longer
21 maturity than FairPoint could achieve in the
22 current credit market. The refinancing pushes
23 the maturity date of the long-term debt out to
24 2022. The fact that Consolidated has already

1 secured its credit facility also removes the
2 issue of credit risk that impacted FairPoint's
3 2008 acquisition of Verizon's assets.

4 In sum, the acquisition -- in sum,
5 the 2008 acquisition involved a complex set of
6 issues that are simply not at issue here:
7 Discontinuance of service, certification of new
8 providers, continuity of contracts and
9 agreements, system cutovers, transition
10 services, and credit risk. None of those
11 issues arise in the present transaction. As an
12 upstream change in corporate ownership and an
13 indirect change in control at the holding
14 company level, the present transaction presents
15 a streamline and efficient profile for the
16 Commission to review.

17 Consolidated has been a provider of
18 ILEC services since 1894. Through a series of
19 selective acquisitions, Consolidated now
20 operates a network spanning more than 14,000
21 fiber route miles and over 800,000 connections
22 across eleven states. Through strategic
23 acquisitions, Consolidated has demonstrated its
24 ability to successfully absorb and integrate

1 existing telecommunications companies into the
2 Consolidated family. Like FairPoint,
3 Consolidated is committed to investing in its
4 network and to bringing a broad array of
5 services to the markets and communities it
6 serves. Consolidated is a financially secure,
7 publicly traded company with a proven record of
8 delivering shareholder value. The combined
9 company will allow FairPoint to enjoy greater
10 strategic and financial flexibility going
11 forward and will allow Consolidated the
12 opportunity to use its enhanced product suite
13 to strength its position in the new markets it
14 will serve.

15 At the close of all the evidence,
16 this Commission should have no difficulty
17 finding that Consolidated is technically,
18 managerially, and financially capable of
19 maintaining FairPoint's ILEC obligations in the
20 State of New Hampshire. FairPoint urges the
21 Commission to act expeditiously in reviewing
22 this transaction so that the Joint Petitioners
23 can successfully meet their expected closing
24 date of June 30th, 2017. Thank you.

1 CHAIRMAN HONIGBERG: Thank you,
2 Mr. Phillips. Mr. Rubin.

3 MR. RUBIN: Thank you, Mr. Chairman.
4 Excuse me. As we discussed earlier, I
5 represent the interests of FairPoint's
6 unionized employees, both as employees of the
7 Company, as well as customers. And perhaps no
8 one is potentially more affected by a change in
9 ownership than the people whose very
10 livelihoods depend on the capabilities of their
11 employer. So, we are seeking more information
12 about the effects of the proposed transaction.

13 At this point, the Commission does
14 not have the complete agreement between the
15 Joint Petitioners. There are numerous exhibits
16 and schedules that are an integral part of the
17 agreement that have not yet been provided, so
18 we're not sure exactly what the agreement
19 provides.

20 The counsel for the Joint Petitioners
21 just gave you, frankly, a fairly rosy picture,
22 which I would expect them to do. We have a
23 number of questions about representations that
24 they made today that they made in their Joint

1 Petition.

2 For example, while they mention the
3 lower interest rate that Consolidated has
4 obtained, compared to FairPoint's existing
5 debt, they failed to mention the fact that
6 Consolidated will have a dramatically higher
7 obligation to pay dividends to its
8 shareholders, because every FairPoint
9 stockholder who receives no dividend today
10 would receive a dividend from Consolidated.
11 So, we're concerned about the total cash
12 outflow from FairPoint to Consolidated, not
13 just the outflow associated with interest on
14 long-term debt.

15 We also do not yet have a good
16 understanding of the types of costs that
17 Consolidated incurs at the parent company level
18 that FairPoint will be asked to help support.

19 We also note that, while a cutover on
20 the day of closing may not be required under
21 this transaction, on the very day the deal was
22 announced Consolidated told its stockholders
23 and financial analysts that it expected to save
24 more than \$50 million a year by consolidating

1 FairPoint's network operations and back office
2 systems with those used by Consolidated. So,
3 again, we don't have a good understanding yet
4 of what the time period looks like for that, of
5 what types of technical issues and financial
6 issues might be raised by that. But we're
7 certainly concerned about the prospect of
8 another cutover, another significant change in
9 operations that could affect this utility.
10 And, unfortunately, we know from past
11 experience what a poorly managed cutover could
12 mean to customers and to the quality of service
13 provided within the State of New Hampshire.

14 So, at this point we have a number of
15 questions. We don't have a position on any of
16 that yet. We're looking for information. And
17 we're happy to work with Staff and the
18 Applicants to develop a reasonable schedule
19 that allows all of us the time we need to
20 better understand the transaction and
21 Consolidated.

22 And I'll just put in a plug here,
23 before we get into the technical session, the
24 Labor Intervenors are using the same attorney

1 and financial expert witness in all three New
2 England states. So, we're hoping to have a
3 schedule that allows us to not go completely
4 crazy. Schedules have already been set in the
5 Maine and Vermont proceedings, and I have
6 copies of those with me. So, I'm hoping we can
7 get a schedule that allows this Commission to
8 fulfill its statutory obligations, and that
9 allows the Parties to develop a record that's
10 adequate and that frankly meshes with the
11 schedules in the other two states. So, thank
12 you.

13 CHAIRMAN HONIGBERG: Thank you, Mr.
14 Rubin.

15 Mr. Wiesner, I apologize, I'm going
16 to dash before you start talking. I wanted to
17 hear from the Parties. But I literally have to
18 go catch a plane. So, I'm going to leave, I'll
19 leave you with a quorum, so you can finish the
20 prehearing conference. And I thank you all for
21 your time. And I'll leave the other
22 Commissioners now.

23 MR. WIESNER: Thank you, Mr.
24 Chairman. I won't take it personally.

1 Staff's overriding priority in this
2 proceeding is to ensure that the Commission
3 will have a complete and comprehensive record
4 that supports the findings on applicable
5 statutory criteria that are necessary in order
6 for the transaction to be approved.

7 We acknowledge, as I mentioned
8 earlier, that the scope review has been limited
9 by the statutory amendments of Senate Bill 48
10 in 2012, and focuses on the technical,
11 managerial, and financial capability of the
12 acquiring company.

13 We also recognize that this is a
14 stock transaction rather than an asset
15 transfer. But there are many relevant issues,
16 in our view, that require careful review and
17 analysis. And we intend to engage a consultant
18 to assist us in that effort. We have issued a
19 request for proposals and expect to receive
20 responses today, and make a decision to engage
21 a consultant and get one onboard and working
22 with us at the earliest possible time.

23 Recognize the Companies' interest in
24 an expeditious procedural schedule, and that

1 is -- we are aware of the rationale for that
2 and the pressure to meet that timing in other
3 states as well, and we do not want to unduly
4 delay the process. But, again, our overriding
5 priority is to make sure that the record is
6 complete and sufficient for the Commission to
7 make the required findings.

8 And we look forward to working with
9 the Parties to achieve that, beginning with the
10 technical session this afternoon. Thank you.

11 CMSR. SCOTT: Thank you, Mr. Wiesner.
12 And just to clarify. So, for the Commission to
13 engage a consultant in this case will require a
14 Governor and Council approval?

15 MR. WIESNER: It depends on the price
16 of the contract. I believe the breakpoint is
17 \$250,000, and we haven't seen what the
18 proposals look like yet. If it's under that,
19 it could be done without Governor and Council
20 approval, and that would certainly expedite the
21 engagement.

22 CMSR. SCOTT: Thank you. So, unless
23 there's any other things for us to address?

24 *[No verbal response.]*

1 CMSR. SCOTT: Then, we'll leave you
2 to the technical session. And thank you.

3 *(Whereupon the prehearing*
4 *conference was adjourned at 1:49*
5 *p.m., and a technical session*
6 *was held thereafter.)*