

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Docket No. DT 16-872
Consolidated Communications Holdings, Inc.



Answers of Labor Intervenors to FairPoint's First Set of Data Requests

FP: Labor-7: Referencing the Barber Testimony, at Page 37, Lines 9-16, where Mr. Barber testifies that if FairPoint had "refinanced its debt around the beginning of this year on a standalone basis, . . . it probably would have resulted in cost savings to FairPoint of between \$25 million and \$30 million annually," please:

- a. identify all assumptions made by Mr. Barber when making the foregoing determination;
- b. provide all work papers prepared by Mr. Barber to calculate the asserted cost savings;
- c. identify all lenders, brokers or other third parties Mr. Barber consulted in connection with his determination and provide their complete contact information;
- d. provide a detailed description of all communications with anyone identified in (c), including e-mails or other written forms of communication and written notes made contemporaneously in conjunction with any oral communications; and
- e. to the extent not included in (a) through (d) above, provide all documents, data or analyses performed by Mr. Barber or on his behalf related to the referenced statement.

Answer:

(a) Mr. Barber assumed that the terms of a standalone FairPoint refinancing would be the same as those announced by Consolidated on December 14, 2016 with one exception: Rather than needing to borrow \$935 million, which includes various transaction-related expenses, he assumed that FairPoint would only need to refinance its existing \$917 million in debt, \$18 million less than the Consolidated financing.

(b) Please see the file *CNSL-FRP Scratch – Public.xlsx* in Mr. Barber's workpapers (provided in FP: Labor-2. Mr. Barber arrived at an estimate that "it is reasonable to believe that FairPoint could have obtained a much lower rate, perhaps no more than 0.75% to 1.5% higher than Consolidated obtained." From that assumption, he calculated that such a refinancing "would have resulted in cost savings to FairPoint of between \$25 million and \$30 million annually (compared to the \$35 million savings Consolidated achieved)."

On the spreadsheet, the following cells are used:

D4 – The \$935 million financed by Consolidated

D5 – The 4% interest rate announced by Consolidated

D6 – Barber calculation of the annual interest payments for the Consolidated financing

F11 – Calculation of the interest payments FairPoint makes on its current \$917 million in debt, with a 7.9% average interest rate.

H4 – An assumed 4.75% interest rate (see discussion below) used to calculate interest payments on FairPoint's \$917 million in current debt.

H7 – An assumed 5.5% interest rate (see below) used to calculate interest payments on FairPoint's \$917 million in current debt.

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FP: Labor-7, continued

L4 – Calculation of the interest payments FairPoint would make with a 4.75% interest rate (0.75% above the rate Consolidated obtained).

L7 – Calculation of the interest payments FairPoint would make with a 5.5% interest rate (1.5% above the rate which Consolidated obtained).

M4 – Calculation of the savings FairPoint would achieve with a 4.75% interest rate compared to the amounts it currently pays on the \$917 million, 7.9% average interest rate loan (calculated in cell (F11)).

M7 – Calculation of the savings FairPoint would achieve with a 5.5% interest rate compared to the amounts it currently pays on the \$917 million, 7.9% average interest rate loan (calculated in cell (F11)).

In the same area of this spreadsheet (D3:T13), there are other verifying calculations which Mr. Barber did not use in his testimony.

(c) and (d): As he was preparing his testimony, Mr. Barber communicated confidentially with a friend in the investment banking business who directed me to this site, which Mr. Barber already had identified in his initial web searches:

http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ratings.htm. Mr. Barber had no other communications with him or any other broker, dealer, etc. about this subject.

(e): Beyond the communication from his friend identifying the Stern NYU ratings spread table, Mr. Barber consulted an October 2016 Standard & Poor's "Corporate Rating Composite Scores" document:

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwiegNOwmO_SAhUKSCYKHXuGAZ0QFggmMAE&url=https%3A%2F%2Fwww.spratings.com%2Fdocuments%2F20184%2F1481001%2F2016%2BCorporate%2BRating%2BComponent%2BScores%2Fbd918d97-0f4a-4564-941a-fc93fad4b4e8&usg=AFQjCNFTIXG5h8ju6HByfsee8WkrE95y2g

In addition, he referred back to a Wikipedia site comparing credit rating scores among the three major rating agencies. He has consulted this table many times over the years:

https://en.wikipedia.org/wiki/Credit_rating

Response provided by: Randy Barber