

Question (by Attorney Geiger): Do you have any updates to your prefiled testimony?

Answer (by Ms. Kravtin):

Yes, I have a few clarifications to my prefiled direct testimony based on statements made in the Petitioner's rebuttal testimony.

- The Net Book Value I have calculated and recommend be relied on for purposes of ensuring a just and reasonable pole rate calculation is NOT based on the "exceedingly low" GAAP Net Book Value referenced in Petitioner's rebuttal based on Consolidated's extremely accelerated depreciation using an "extraordinarily low useful life of 5 years." Rather, the Net Book Value that both I and Mr. Eckberg calculate is an imputed just and reasonable regulatory net book value that is much higher than the GAAP Net Book Value. The Net Book Value we calculate applies a depreciation amortization schedule based on the historic regulatory approved depreciation rate, one roughly three times longer than Consolidated's actual accelerated depreciation, and from which it derived tax benefit.
- While both myself and Staff witness Eckberg have calculated an imputed regulatory Net Book Value for the transferred assets for ratemaking purposes, my focus in particular being on the calculation of just and reasonable pole attachment rates for the transferred poles, to be clear, I have not opined on either the gross or net purchase price that the Petitioners negotiated for purposes of this transaction. The parties are free to negotiate a price pursuant to their respective corporate interests and resources, and that may include an acquisition premium over an economically appropriate regulatory value. But corporate interests do not necessarily align with the public interest. And following from that, the purchase price negotiated between the buyer and seller of the assets does not necessarily align with a just and reasonable net book value for regulatory purposes, and in particular, for purposes of the regulated pole attachment rate, which is calculated using a formula methodology directly based on the net book value of poles.
- From an economic and regulatory public interest standard, the just and reasonable net book value for the transferred poles is based on the capital recovery of the investment of

the transferred assets as carried on the seller's books – not the buyer's - and in this instance, taking into account, the origin of the transferred assets from Verizon to Fairpoint to Consolidated, the former both telephone companies following regulatory depreciation principles. To clarify, from an economic and public policy perspective, the valuation of the transferred assets is appropriately based on the actual or imputed regulatory depreciation applicable to the pole assets as carried on the telephone company side (for CCI, this would be the last regulatory approved rate of 5.8%, corresponding to a roughly 17 year life) , not the slower regulatory depreciation applied to Eversource (we heard from Mr. Horton about 3.5% corresponding to a roughly 30 year average service life).

Under the Petitioner's theory, pole attachers would effectively be paying double depreciation related capital recovery for the transferred assets since Eversource's regulatory depreciation rate has been only about half the regulatory rate historically applied on the telephone side – and as we heard that regulatory rate has been only a fraction of the actual depreciation that CCI has enjoyed.

- That Consolidated may be minimally regulated as Petitioners have reiterated in their rebuttal testimony [Eversource at 13] does not exempt Petitioners from the just and reasonable public interest requirements of the transaction, and which require no adverse harm to the public interest, including harm to pole attachers. It just means in the absence of full regulation, that just and reasonable regulatory values must be calculated for purposes of valuing the transferred pole assets and in setting pole rates on the transferred assets.
- A final point of clarification, my testimony opines on the nondiscriminatory just and reasonable pole attachment rates that Eversource should charge on the transferred poles, that is the pole attachment rate previously charged by Consolidated based on its ownership share, that will post-transfer be charged by Eversource. I do not opine on the

pole rates that Eversource is charging or is proposing to charge on poles it controlled pre-transfer -- although those rates were identified by Eversource in response to Staff data requests. While my testimony notes my findings that Eversource' rates are also overstated vis-à-vis just and reasonable rates, I do so solely in the context of explaining why the use of an excessive net book value based on the negotiated purchase price of the assets versus a just and reasonable net book value is significant when considered in the context of its additive impact onto an already excessive rate.