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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 10, 2007 - 7:00 p.m.  
Hopkinton High School  
297 Park Avenue  
Contoocook, New Hampshire

RE: DT 07-027  
KEARSARGE TELEPHONE CO., WILTON TELEPHONE  
CO., HOLLIS TELEPHONE CO., AND MERRIMACK  
COUNTY TELEPHONE CO.: Petitions for  
Alternative Regulation Pursuant to  
RSA 374:3-b.  
(Public statement hearing)

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton Below

APPEARANCES: (No appearances taken)

COURT REPORTER: Steven E. Patnaude, CCR

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I N D E X

PAGE NO.

Presentation by Mr. Reed (TDS Telecom)

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

2 CHAIRMAN GETZ: Okay. Good evening,  
3 ladies and gentlemen. My name is Tom Getz. I'm the  
4 Chairman of the Public Utilities Commission. And, on my  
5 right is Commissioner Cliff Below. This is a public  
6 statement hearing in docket DT 07-027, concerning the  
7 filing of the TDS companies, Kearsarge Telephone Company,  
8 Merrimack County Telephone Company, Wilton Telephone  
9 Company, and Hollis Telephone Company. I'd also like to  
10 point out this evening that two representatives of the  
11 Office of Consumer Advocate is here, Steve Eckberg and Ken  
12 Traum, and also here is the Deputy Director of our  
13 Telecommunications Division, Pradip Chattopadhyay and Jody  
14 Gaige is a analyst in our Telecom Division. Amanda  
15 Noonan, the Director of our Consumer Affairs Division, is  
16 also here, and probably handed you out some forms. If you  
17 would like to speak tonight, if you could please sign the  
18 form, and I'll make sure that you get a chance to speak.  
19 I believe she also handed out a copy of the legislation  
20 that was recently filed by -- or, recently passed by the  
21 Legislature that's the basis for the filing here.

22 As I said, this docket concerns a  
23 request by the TDS companies seeking approval of an  
24 alternative regulation plan. Though, before we get to  
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1 hearing from the Company, I'd like to give you some  
2 background on the Commission and the process that we use  
3 for dealing with filings like this one that has been filed  
4 with us.

5 The term "Public Utilities Commission"  
6 refers to both the 65 employees that work for the agency,  
7 the Public Utilities Commission, and to the three  
8 Commissioners that make the decisions in the cases that  
9 come before the agency, and that's Commissioner Below,  
10 myself, and Commissioner Graham Morrison, who's not here  
11 this evening. The three of us will be acting in the same  
12 manner as judges in this case, and we are subject to the  
13 same kinds of rules as judges. Most important, we are  
14 subject to what are called "ex parte rules". This means  
15 we cannot talk about the merits of an ongoing case with  
16 anyone, except when there is notice and opportunity for  
17 all parties to participate, which amounts to even hearings  
18 like this evening and in hearings that we'll be having at  
19 the Commission in December. As for the process used in  
20 cases like these, it is a formal, judicial style  
21 proceeding, that includes written and oral testimony,  
22 discovery, cross-examination, briefs, and a written  
23 decision, that is subject to rehearing and appeal to New  
24 Hampshire Supreme Court. So, the process is similar to  
{DT 07-027} [Public Statement Hearing] (10-10-07)

1 what occurs in a typical civil trial.

2 At this point in the case, TDS has filed  
3 its petition, which it did on March 1, asking us to  
4 approve the petition for alternative regulation. We held  
5 a procedural hearing called a "prehearing conference" on  
6 May 4, and then approved a procedural schedule on May 29.  
7 And, pursuant to that schedule, we've had -- this is the  
8 third public statement hearing we've had in the evenings  
9 around their service territory, and we'll go to hearings  
10 during the daytime at the Commission starting December 4.

11 As required by the procedural schedule,  
12 TDS has filed written testimony, other parties have had  
13 the opportunity to conduct discovery, which means that  
14 they have been asking questions that will help them write  
15 their testimony. Testimony from our Staff, the Consumer  
16 Advocate, and any other party is due October 12th, this  
17 Friday.

18 I want to emphasize one other very  
19 important point about the process and our roles, which is  
20 this: We have formed no opinion on whether the petition  
21 should be approved or denied, nor should we. Our job is  
22 to hear all the evidence and then make a decision based on  
23 that evidence.

24 Next, I'd like to explain the purpose of  
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1 a public statement hearing. And, we're trying to  
2 accomplish a couple of things. First, TDS, Mr. Reed will  
3 be given time to briefly explain his Company's proposal.  
4 We expect that there are many questions about this  
5 proposal, and we're hopeful that his presentation will  
6 help answer many of those questions. However, tonight is  
7 not the occasion to cross-examine the Company about its  
8 proposal, but Mr. Reed is prepared to stay around after  
9 the close of the formal part of the proceeding, and after  
10 the Commissioners leave, to answer questions individually  
11 that you may have. And, Staff is also available to  
12 respond to questions you may have after the public  
13 statement hearing ends.

14 Second, this is an opportunity for you  
15 to tell us whether you support or oppose the plan, express  
16 your concerns about the proposal, or recommend areas that  
17 you think we should examine. While the statements made  
18 tonight do not constitute the kind of evidence on which we  
19 can base a decision, these comments can be helpful in  
20 helping us form questions that we can pursue at the  
21 hearings in December.

22 As I said, if you'd like to speak, there  
23 are sign-up sheets, and if you can give them to someone  
24 from Staff, they will get them to us, and I'll just have  
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1 you speak in the order that we get the questions  
2 [sheets?], or you can make a written comment on those  
3 sheets and then we'll make that part of our file. We have  
4 a stenographer, Mr. Patnaude's going to be recording the  
5 comments tonight, so I just ask that you speak clearly so  
6 he can get your comments down.

7 So, at this point, then I would turn to  
8 Mr. Reed to talk about his Company's proposal.

9 MR. REED: Hi. I'm Mike Reed. I work  
10 for TDS Telecom. I'm a State Government Regulatory  
11 Affairs Manager for several states, including New  
12 Hampshire, and my office is located in Vermont. With me  
13 tonight is Deb Martone, her office is just up the street  
14 here, also a State Government Affairs Manager, and you  
15 probably all know Mark Violette, his office is just up the  
16 street, he's a Market Manager. Before I begin, the  
17 statute and the petition that we have filed with the  
18 Commission is for a change in regulation to match the  
19 ongoing competition that we're facing. That's what this  
20 is all about. As Chairman Getz pointed out, Kearsarge  
21 Telephone Company, Wilton Telephone Company, Hollis  
22 Telephone Company, and Merrimack County Telephone Company  
23 filed a petition with the PUC for approval of an  
24 alternative form of regulation under the RSA I believe  
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1 that the Staff handed you, RSA 374:3-b. The statute has  
2 been in effect since the middle of last year. We are  
3 going to be the first incumbent local exchange carriers to  
4 file a petition under that new statute. I think the  
5 easiest way to go through this is I'll just highlight some  
6 of the key points of the statute and how our plan  
7 addresses that.

8                   RSA 374:3-b simply states that "A small  
9 ILEC", that would be Merrimack County Telephone Company,  
10 "may petition the PUC for an alternative form of  
11 regulation such that" Merrimack County Telephone Company  
12 "operations will be regulated comparable to a competitive  
13 local exchange carrier." This is an important step in the  
14 change of regulation. It doesn't really change the  
15 regulation to match some of the most difficult competitors  
16 or our biggest competitors, like cable companies or  
17 wireless companies, they're not really regulated by the  
18 PUC, so this is a step in the right direction.

19                   Our petition and our proposed plan  
20 provides detail of regulation that we think should be  
21 altered or changed to meet that requirement. The  
22 Commission has a list of regulations that we're under.  
23 The key to RSA 374:3-b states that the PUC shall approve  
24 our petition based on our meeting five different criteria.

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1 The key to one of those is that the finding that there is  
2 competitive wireline, wireless or broadband service  
3 available to the majority of the customers in each of our  
4 exchanges. This Merrimack County Telephone Company has  
5 eight exchanges. As I said, we've provided that detail to  
6 the Commission, along with the impacts that we're facing  
7 from this competition. The PUC is continuing to review  
8 that information and evaluate our filing.

9 Another criteria that I think is a key  
10 element, particularly when I read some of the press  
11 coverage that you may have seen, is that it provides that  
12 maximum basic local service rates do not exceed the  
13 largest incumbent telephone company in the state, which  
14 right now is Verizon. And, that there are no increases in  
15 the basic local rates that exceed 10 percent a year to a  
16 cap rate, that's a key point. I want to be really clear  
17 on this that there is a possibility of a 10 percent  
18 increase of only the basic local service portion of your  
19 bill. For example, in Merrimack County Telephone Company,  
20 that would be \$11.22, not 10 percent on your whole bill,  
21 it doesn't include everything that's in there, on the  
22 basic portion of your bill.

23 We also need to be clear that this is a  
24 safeguard item in the statute. We have not filed for an

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1 increase of rates. The statute caps our rates, doesn't  
2 allow us to go above that, even though we're in a  
3 competitive market. It's a safeguard.

4 Just so you'll know that the cap rate  
5 for Merrimack County, I'm just going to assume that  
6 everyone is a customer of Merrimack County that's here,  
7 the cap rate, the equivalent Verizon rate would be \$15.69.  
8 So, today's rate is 11.22.

9 Another key part of the plan is the  
10 ability of bundling products and being able to bundle our  
11 local exchange service with other products, like DSL, long  
12 distance, other products that we might sell, and  
13 offering -- and ensures that we continue to offer  
14 innovative services across our footprint.

15 Another part of the statute states that  
16 we have to meet our intercarrier obligations. If AT&T  
17 wants to interconnect with us, for example, there are  
18 certain requirements that we have to meet, and this  
19 statute safeguards that.

20 A very important part of our plan and  
21 the statute is it provides -- it preserves universal  
22 access to basic telephone service. The commitment in our  
23 plan is we must continue to provide affordable basic  
24 service to every customer within our service area. Just

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1 because we're transitioning into a competitive market  
2 doesn't mean we can serve everybody in the downtown, and  
3 forget the people in the outlying areas. The statute and  
4 the plan preserves that we will serve every customer  
5 within our footprint.

6 Last, but a very important section of  
7 RSA 374, states the plan provides that if the small  
8 incumbent local exchange carrier operating under the plan  
9 fails to meet any of the conditions set out in this  
10 section, the PUC may require the small ILEC to propose  
11 modifications or return to the original form of  
12 regulation. That's a very important safeguard in the end.

13 In summary, we're facing a significant  
14 competitive environment in New Hampshire that we barely  
15 contemplated just a few years ago. You're all familiar  
16 with the wireless explosion that's been going on,  
17 everybody seems to have a wireless phone.  
18 Voice-over-the-internet protocol, like a Vonage company,  
19 broadband services through your cable company are also out  
20 there and available. This competition is growing daily.  
21 We're experiencing the effects of this competition through  
22 loss of customers. And, even if we still have a customer,  
23 customers are using other service providers, perhaps for  
24 their long distance calls, or, in the case of wireless or  
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1 call waiting, everything is available through these other  
2 carriers. They could still be a customer, but they don't  
3 spend quite as much money with us. We've asked for a  
4 reduction of the traditional regulation that in some way  
5 matches the competition that we're experiencing.

6 We've not asked for deregulation, and we  
7 have not asked for no regulation. We've asked for  
8 regulation that matches the competition that's out there  
9 today. The Legislature recognized that need in creating  
10 RSA 374. The plan we filed with the PUC follows the RSA  
11 requirements with built in safeguards, to ensure  
12 affordable rate levels, ongoing quality of service to all  
13 customers will be continued as it is today. Finally, that  
14 one key element, if we don't do it right, after it's  
15 approved, the Commission can still cause modifications or  
16 return us to our existing rate of return regulation we  
17 have today. Thank you.

18 CHAIRMAN GETZ: Thank you. Is there  
19 anyone who would like to make a comment this evening?

20 (No verbal response)

21 CHAIRMAN GETZ: Do I take it there are  
22 folks that would have some questions for the Company or  
23 for our Staff? We can just close the proceeding, the  
24 formal part of the proceeding, and then you can give your

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1 questions to Mr. Reed or to folks from our Staff or the  
2 Consumer Advocate?

3 (No verbal response)

4 CHAIRMAN GETZ: Okay. Then, seeing that  
5 there's no public statements, we'll close the proceeding,  
6 and thank you for coming.

7 (Hearing ended at 7:19 p.m.)

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