

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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LABOR INTERVENORS**

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**P R O C E E D I N G**

1  
2 CHAIRMAN HONIGBERG: We're here this  
3 afternoon in Docket DT 16-872, the Joint  
4 Petition by FairPoint and Consolidated  
5 Holdings -- rather, Consolidated Communications  
6 Holdings regarding an acquisition. I will not  
7 read from the Order of Notice. The prehearing  
8 conference has a number of issues we need to  
9 talk about, I think, and then you're going to  
10 be having a technical session following the  
11 prehearing conference.

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

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

22 MR. PHILLIPS: Good afternoon, Mr.  
23 Chairman and members of the Commission. My  
24 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, IXCs, 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.)*

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