

Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 21-020

Date Request Received: 04/12/2021

Date of Response: 05/03/2021

Date Revision Request Received: 05/07/2021

Date of Revision Response: 05/07/2021

Request No. STAFF 1-031-RV01

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Request from: New Hampshire Public Utilities Commission Staff

Witness: Douglas P. Horton, Erica L. Menard
Michael Shultz, Senior Vice President (Consolidated Communications)
Sarah Davis, Senior Director (Consolidated Communications)

Request:

Reference Horton/Menard Testimony, Bates 51-52, stating "On an annual basis, Eversource will calculate the net revenue requirement associated with the Transferred Poles," including "the return on the average rate base, depreciation expense, O&M associated with transferring lines and appurtenances on replaced poles, and O&M inspection costs."

- a. Please provide the net book value of the transferred poles as it exists on Consolidated's books today, including any relevant depreciation schedules by FCC/FERC account. Please provide copies of all relevant ARMIS reports as filed with the FCC.
- b. Please provide the net book value of the transferred poles as it existed on Consolidated's books at the time of Consolidated's acquisition of FairPoint, including any relevant depreciation schedules by FCC/FERC account. Please provide copies of all relevant ARMIS reports as filed with the FCC.
- c. Please explain whether it is Eversource's position that the Commission should consider the estimated incremental revenue requirement detailed at Bates 55 when determining whether the transfer is in the public interest.
- d. Please explain whether material deviations from the estimated revenue requirement during reconciliations would trigger reconsideration of whether the pole transfer is for the public good.

Response:

ORIGINAL RESPONSE:

Objections: Consolidated Communications objects to subsections (a) and (b) of this request on the grounds that they are not intended to lead to the discovery of relevant or admissible evidence in this Docket, and are overly broad and burdensome. Without waiving these or any other objections, Consolidated Communications responds as follows:

- a. As an initial matter, it is important to note that Consolidated, as a minimally regulated Excepted Local Exchange Carrier under New Hampshire law, is not required to adhere to regulatory accounting requirements applicable to EDCs for ratemaking purposes. In particular, the depreciation expense recorded for GAAP purposes is not required to be the result of a Commission-approved depreciation study, as is the case for regulated utilities. Consequently, from the point at which Consolidated purchased FairPoint Communications in 2017, it has depreciated its purchased pole plant over an approximate 5-year period. This extraordinarily shortened amortization period was the result of a management decision based on GAAP purchase accounting and has the effect of allowing Consolidated Communications to minimize any potential accounting losses at the time of sale that would arise from having a higher GAAP net book value.

As a result, the Joint Petitioners do not see Consolidated's GAAP net book value as a relevant or useful data point for purposes of going forward ratemaking for Eversource post-acquisition. Unlike the net book value reported for a regulated utility, which represents the unrecovered plant balance not-yet-paid for by customers, Consolidated's GAAP reported net book value does not represent an amount paid for (or not paid for) by its customers.

Notwithstanding this practicality, to be responsive to this question, Consolidated's GAAP net book value of the Transferred Poles as of March 2019 when the Joint Petitioners initially started negotiating this transaction was as follows.

Total Costs	\$ [REDACTED]
Total Accumulated Depreciation	\$ [REDACTED]
Net Book Value	\$ [REDACTED]

As of December 31, 2020, the GAAP net book value of the Transferred Poles was:

Total Costs	\$ [REDACTED]
Total Accumulated Depreciation	\$ [REDACTED]
Net Book Value	\$ [REDACTED]

The net book value of the poles as of December 31, 2020, is the most recent net book value of the poles that is available. In accordance with GAAP, Consolidated Communications classified the poles as "held for sale" (as of the date of the Joint Petitioners' agreement) and stopped depreciating the poles. GAAP accounting requires that the poles not be further depreciated pending the sale. There is no depreciation by "FCC/FERC account".

Lastly, Eversource notes that it jointly owns the vast majority of poles being purchased as part of this transaction. Naturally, Eversource follows traditional regulatory accounting for its assets, including adhering to regulated utility practices for recording depreciation of pole plant over a 30+ year period. The current balance of all Eversource jointly owned poles, the majority of which are joint-owned with Consolidated, is as follows.

Total Eversource Costs	\$129,060,753
Total Accumulated Depreciation	\$61,635,989
Net Book Value	\$67,424,764

This served as assurance to Eversource during negotiations that the net purchase price for the Transferred Poles, which is less than half the net book value of those same poles recorded in Eversource's financial statements, is a fair and reasonable price to pay for the Transferred Poles.

Consolidated Communications has provided its last ARMIS report filed for FY 2017 in PDF in Attachment Staff 1-031. Consolidated Communications is not required to file ARMIS reports for its study area for New Hampshire.

b. Consolidated Communications has no mechanism to produce the net book value of the Eversource poles at the time of the closing of the Consolidated Communications/FairPoint Communications acquisition transaction. However, as of the data of the closing of that transaction,

the net book value of all of Consolidated Communications' New Hampshire utility poles as of July 3, 2017 was:

Pole Investment - NH	\$ [REDACTED]
% Estimated as Eversource	68%
Estimated Eversource NBV	\$ [REDACTED]

There is no depreciation by "FCC/FERC account".

c. It is not clear what is intended by this question. If the question is asking about the nature of the public interest review, as described in the petition, the public interest standard, as it has been interpreted by the Commission, is a no net harm standard where the Commission would approve the transaction if there is no adverse impact on the public based upon all the circumstances. Thus, the Commission should look at all of the circumstances, including the operational benefits and the customer safety and satisfaction issues, rather than merely the incremental revenue requirement in determining whether the public interest is met.

To the extent the question is seeking to know whether the estimated incremental revenue requirement is accurate, the estimates are based upon the information presently available subject to the assumptions noted. It is Eversource's position that the estimate is reasonable and presents an appropriate initial estimate of the incremental revenue requirement.

d. No, Eversource does not view that deviations, material or otherwise, revealed during a reconciliation would trigger reconsideration. Presuming that the Commission approves the transaction, it would necessarily have to find that the transaction is reasonable and prudent. It would be inappropriate, and potentially illegal, for the Commission to later rescind that approval on the basis of a deviation from an estimate years later.

Also, as noted in the testimony (Bates page 50) without approval of the cost recovery mechanism, Eversource would not move forward with the transaction. If the Commission were to condition the approval on a later reconciliation at an unknown future date and under which it could void the transaction, that would present an untenable risk for Eversource and Eversource would not move forward with the transaction.

Lastly, as a practical matter, such reconsideration would be impossible. Once the transaction closes and Eversource pays Consolidated in accordance with the Joint Petitioners' agreement, Eversource owns the assets. Any reconsideration would, of necessity, force Eversource to return the assets (at some to be determined price), and would force Consolidated to retake ownership of the assets and reincorporate them into its business. It is not clear the Commission would have authority to order such an outcome.

REVISED RESPONSE:

Objections: Consolidated Communications objects to subsections (a) and (b) of this request on the grounds that they are not intended to lead to the discovery of relevant or admissible evidence in this Docket, and are overly broad and burdensome. Without waiving these or any other objections, Consolidated Communications responds as follows:

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As a result, the Joint Petitioners do not see Consolidated's GAAP net book value as a relevant or useful data point for purposes of going forward ratemaking for Eversource post-acquisition. Unlike the net book value reported for a regulated utility, which represents the unrecovered plant balance not-yet-paid for by customers, Consolidated's GAAP reported net book value does not represent an amount paid for (or not paid for) by its customers.

Notwithstanding this practicality, to be responsive to this question, Consolidated's GAAP net book value of the Transferred Poles as of March 2019 when the Joint Petitioners initially started negotiating this transaction was as follows.

Total Costs	\$ [REDACTED]
Total Accumulated Depreciation	\$ [REDACTED]
Net Book Value	\$ [REDACTED]

As of December 31, 2020, the GAAP net book value of the Transferred Poles was:

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Net Book Value	\$ [REDACTED]

The net book value of the poles as of December 31, 2020, is the most recent net book value of the poles that is available. In accordance with GAAP, Consolidated Communications classified the poles as "held for sale" (as of the date of the Joint Petitioners' agreement) and stopped depreciating the poles. GAAP accounting requires that the poles not be further depreciated pending the sale. There is no depreciation by "FCC/FERC account".

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- b. Consolidated Communications has no mechanism to produce the net book value of the Eversource poles at the time of the closing of the Consolidated Communications/FairPoint Communications acquisition transaction. However, as of the data of the closing of that transaction, the net book value of all of Consolidated Communications' New Hampshire utility poles as of July 3, 2017 was:

Pole Investment - NH	\$ [REDACTED]
% Estimated as Eversource	75%
Estimated Eversource NBV	\$ [REDACTED]

There is no depreciation by "FCC/FERC account".

- c. It is not clear what is intended by this question. If the question is asking about the nature of the public interest review, as described in the petition, the public interest standard, as it has been interpreted by the Commission, is a no net harm standard where the Commission would approve the transaction if there is no adverse impact on the public based upon all the circumstances. Thus, the Commission should look at all of the circumstances, including the operational benefits and the customer safety and satisfaction issues, rather than merely the incremental revenue requirement in determining whether the public interest is met.

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Consistent with Puc 203.08(d), the Joint Petitioners state that they have a good faith basis for confidential treatment of the material provided in this response and will file an appropriate motion for confidential treatment prior to the commencement of hearings in this matter.



350 S. Loop 336 W., Conroe, TX 77304 | consolidated.com | NASDAQ: CNSL

Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

Re: CC Docket No. 86-182
Report: Pole Attachment Data
Year of Data: 2017
Submission Number: 1

Dear Ms. Dortch:

Pursuant to the Commission's *Revisions to ARMIS Filing Procedures Order*,¹ FairPoint Communications, Inc. ("FairPoint") files pole attachment data for calendar year 2017 for its price cap local exchange carrier subsidiaries. Included with this filing are pole attachment data for the COSAs listed below:

<u>COSA</u>	<u>Submission No.</u>
FPME	1
FPNH	1
FPVT	1

This filing fulfills FairPoint's obligation to continue filing annually the pole attachment data previously required in ARMIS Report 43-01.²

¹ 28 FCC Rcd 11436 (Wireline Competition Bur. 2014)

² *Wireline Competition Bureau Approves FairPoint Communications Compliance Plan*, Public Notice DA 16-1212, WC Docket Nos. 12-61, 07-204, 02-21 (Wireline Competition Bur., released Oct 21, 2016)



350 S. Loop 336 W., Conroe, TX 77304 | consolidated.com | NASDAQ: CNSL

If you have any questions concerning this filing, please contact me at telephone (936) 521-7736.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott W. Kitchen", is written over a light blue circular background.

SCOTT W. KITCHEN | SENIOR DIRECTOR, REGULATORY COMPLIANCE

D: 936.521.7736 | F: 936.788.1229

scott.kitchen@consolidated.com

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Certification of the FairPoint COMMUNICATIONS, INC.

I hereby certify that I am an officer FairPoint Communications, Inc. ("FairPoint"), I have examined the attached Pole Attachment Data for calendar year 2017, and to the best of my knowledge, information and belief, all statements of fact contained in the attached filing are true, and these reports are accurate statements of the affairs of FairPoint in respect to the data set forth therein for the period from January 1, 2017 through December 31, 2017 and Submission Number 1.

PRINTED NAME: Michael Schultz

TITLE Vice President, Legislative and Regulatory

DATE: 3/29/18

SIGNATURE: 

[Persons making willful false statements in this report can be punished by fine or imprisonment under the Communications Act of 1934, as amended, 47 U.S.C. §220(e).]

CONTACT PERSON: Scott W. Kitchen

TELEPHONE NUMBER: (936) 521-7736

E-MAIL ADDRESS: scott.kitchen@consolidated.com

FCC Paper Report 43-01
ARMIS Annual Summary Report

COMPANY: FairPoint Communications, Inc.
STUDY AREA: Maine
PERIOD: From: Jan 2017 To: Dec 2017
COSA: FPME

SUBMISSION 1
Table III
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Table III - POLE AND CONDUIT RENTAL CALCULATION INFORMATION
(Dollars in thousands; Operating data in actual units)

ROW	ROW TITLE (a)	Amount (b)
Financial Information (\$000)		
100	Telecommunications Plant-in-Service	2,106,925
101	Gross Investment - Poles	201,530
102	Gross Investment - Conduit	69,620
200	Accumulated Depreciation - Total Plant-in-Service	2,052,029
201	Accumulated Depreciation - Poles	204,588
202	Accumulated Depreciation - Conduit	42,080
301	Depreciation Rate - Poles	6.4
302	Depreciation Rate - Conduit	2.1
401	Net Current Deferred Operating Income Taxes - Poles	0
402	Net Current Deferred Operating Income Taxes - Conduit	0
403	Net Current Deferred Operating Income Taxes - Total	-513
404	Net Non-current Deferred Operating Income Taxes - Poles	-4,376
405	Net Non-current Deferred Operating Income Taxes - Conduit	5,573
406	Net Non-current Deferred Operating Income Taxes - Total	-31,687
501.1	Pole Maintenance Expense	205
501.2	Pole Rental Expense	4,745
501	Pole Expense	4,951
502.1	Conduit Maintenance Expense	546
502.2	Conduit Rental Expense	0
502	Conduit Expense	546
503	General & Administrative Expense	32,308
504	Operating Taxes	8,663
Operational Data (Actual)		
601	Equivalent Number of Poles	276,959
602	Conduit System Trench Kilometers	813
603	Conduit System Duct Kilometers	4,469
700	Additional Rental Calculation Information	0

FCC Paper Report 43-01
ARMIS Annual Summary Report

COMPANY: FairPoint Communications, Inc.
STUDY AREA: New Hampshire
PERIOD: From: Jan 2017 To: Dec 2017
COSA: FPNH

SUBMISSION 1
Table III
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Table III - POLE AND CONDUIT RENTAL CALCULATION INFORMATION
(Dollars in thousands; Operating data in actual units)

ROW	ROW TITLE (a)	Amount (b)
Financial Information (\$000)		
100	Telecommunications Plant-in-Service	2,600,232
101	Gross Investment - Poles	220,791
102	Gross Investment - Conduit	121,067
200	Accumulated Depreciation - Total Plant-in-Service	2,480,113
201	Accumulated Depreciation - Poles	200,831
202	Accumulated Depreciation - Conduit	69,300
301	Depreciation Rate - Poles	5.8
302	Depreciation Rate - Conduit	2.2
401	Net Current Deferred Operating Income Taxes - Poles	0
402	Net Current Deferred Operating Income Taxes - Conduit	0
403	Net Current Deferred Operating Income Taxes - Total	3,502
404	Net Non-current Deferred Operating Income Taxes - Poles	-1,047
405	Net Non-current Deferred Operating Income Taxes - Conduit	10,259
406	Net Non-current Deferred Operating Income Taxes - Total	-35,753
501.1	Pole Maintenance Expense	10,238
501.2	Pole Rental Expense	2,199
501	Pole Expense	12,436
502.1	Conduit Maintenance Expense	773
502.2	Conduit Rental Expense	0
502	Conduit Expense	773
503	General & Administrative Expense	21,305
504	Operating Taxes	3,679
Operational Data (Actual)		
601	Equivalent Number of Poles	251,720
602	Conduit System Trench Kilometers	1099
603	Conduit System Duct Kilometers	6,430
700	Additional Rental Calculation Information	0

FCC Paper Report 43-01
ARMIS Annual Summary Report

COMPANY: FairPoint Communications, Inc.
STUDY AREA: Vermont
PERIOD: From: Jan 2017 To: Dec 2017
COSA: FPVT

SUBMISSION 1
Table III
Page 1 of 1

Table III - POLE AND CONDUIT RENTAL CALCULATION INFORMATION
(Dollars in thousands; Operating data in actual units)

ROW	ROW TITLE (a)	Amount (b)
Financial Information (\$000)		
100	Telecommunications Plant-in-Service	1,401,333
101	Gross Investment - Poles	156,637
102	Gross Investment - Conduit	56,935
200	Accumulated Depreciation - Total Plant-in-Service	2,876,016
201	Accumulated Depreciation - Poles	186,832
202	Accumulated Depreciation - Conduit	28,917
301	Depreciation Rate - Poles	6.4
302	Depreciation Rate - Conduit	2.1
401	Net Current Deferred Operating Income Taxes - Poles	0
402	Net Current Deferred Operating Income Taxes - Conduit	0
403	Net Current Deferred Operating Income Taxes - Total	3,903
404	Net Non-current Deferred Operating Income Taxes - Poles	-9,209
405	Net Non-current Deferred Operating Income Taxes - Conduit	5,210
406	Net Non-current Deferred Operating Income Taxes - Total	-53,760
501.1	Pole Maintenance Expense	2,869
501.2	Pole Rental Expense	2,680
501	Pole Expense	5,549
502.1	Conduit Maintenance Expense	307
502.2	Conduit Rental Expense	0
502	Conduit Expense	307
503	General & Administrative Expense	17,209
504	Operating Taxes	2,745
Operational Data (Actual)		
601	Equivalent Number of Poles	159,802
602	Conduit System Trench Kilometers	719
603	Conduit System Duct Kilometers	2,819
700	Additional Rental Calculation Information	0