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**Remarks of Stefanie A. Brand  
Director of the N.J. Division of Rate Counsel  
Regarding S1886**

**Before the Senate Economic Growth Committee  
June 16, 2008**

Good morning, my name is Stefanie A. Brand. I am the Director of the Division of Rate Counsel, a Division within the New Jersey Department of the Public Advocate. I would like to thank Chairman Lesniak and the members of the Committee for allowing me to speak today.

The Division of Rate Counsel represents and protects the interests of all utility consumers - residential customers, small business customers, small and large industrial customers, schools, libraries, and other institutions in our communities. Rate Counsel is a party in cases where New Jersey utilities seek changes in their rates or services. Rate Counsel also gives consumers a

voice in setting energy, water and telecommunications policy that will affect the rendering of utility services well into the future.

I am here today to express my concerns regarding S1886. The proposed bill eliminates the ability of the Board of Public Utilities to review certain transactions by telecommunications and cable television holding companies. While Rate Counsel does not necessarily oppose what we understand the goal of the Legislation to be – that is, eliminating review of transactions that have no impact on New Jersey rates or service, the Legislation as written paints with too broad of a brush. It eliminates review of many transactions that could have a significant impact on rates and service for New Jersey citizens. As a result, the Legislation leaves New Jersey's ratepayers vulnerable to the impacts that changes in corporate structure and financing can have on utility operations.

Specifically, the proposed bill affects (1) mergers, combinations, and consolidations that affect a transfer of control, (2) the sale, lease, mortgage or encumbrance of assets and franchises, and (3) the issuance of stocks, bonds, notes or other indebtedness. Under the proposed bill, if any of these actions occur at the holding company level, such transactions would not be subject to Board review.

However, actions at the holding company level can directly impact the

ability of the cable operator and telecommunications provider to provide safe, adequate and proper service to ratepayers. By way of example, mergers, the sale of assets and financing by a parent company may result in a diversion of assets and resources that support utility operations to other corporate objectives. Such diversions may result in the parent company reducing staffing in the operating units, reducing maintenance, delaying capital improvements, curtailing and reducing employee benefits, or increasing the cost of capital charge to operating units. Review by the Board is essential to ensure that these transactions do not adversely impact the operations of the subsidiaries that are providing cable service to New Jersey ratepayers. Absent this review, any adverse impacts would either go undetected or could not be addressed due to a lack of regulatory authority over the parent company.

The Board has reviewed utility holding company transactions for over 20 years. The Board's review ensures that positive benefits will flow to customers and the State of New Jersey and that no adverse impacts will result. The Board analyzes (1) whether the company may be unable to fulfill its obligations to employees, including pensions, (2) whether competition will be affected; (3) the impact on rates; and (4) the impact on the provision of safe and adequate service. The Board's review of these transactions has

generally been timely and has added value, rather than posing an obstacle to worthwhile transactions. Indeed, the Board's role in reviewing the recent proposed PSEG/Exelon and Verizon/MCI mergers – both of which involved transactions on the holding company level -- demonstrate the positive value of the Board's review.

Board review of these transactions has not taken a significant period of time, does not hinder the companies' operations, and generally adds protection for New Jersey citizens. The Board does not generally reject transactions, but may impose conditions to protect New Jersey ratepayers. For example, in recent cable company mergers the Board has required that call centers continue to serve New Jersey citizens, that the new corporate owners have sufficient New Jersey connections to ensure accountability, and that New Jersey jobs are not lost. If a company is being acquired, the Board ensures that the buyer is sufficiently reliable to ensure continued service for New Jersey consumers. Thus, if a parent corporation is acquired, for example, by a foreign corporation, the Board's conditions ensure that the company maintains sufficient New Jersey contacts to serve its customers and be accountable if something goes wrong.

The Board has not inserted itself into transactions that have no impact on New Jersey. If that is the concern the Legislature is seeking to address,

language could be substituted that addresses that concern without eliminating important consumer protections. Rate Counsel has already provided to this Committee language that would achieve this goal.

In sum, there is no reason to exempt cable companies from such review. Telephone and cable television are essential services for most citizens. Our office regularly receives inquiries and complaints regarding telephone service, cable service and their costs. It is clear that oversight by the Board is needed to ensure continued affordability and availability. We ask that you not take this essential protection away from New Jersey's cable and telecommunications customers.

Again, thank you for the opportunity to testify. I would be happy to answer any questions the Committee may have.