

STATE OF NEW HAMPSHIRE

**BEFORE THE
PUBLIC UTILITIES COMMISSION**

DT 16-872

**Joint Petition for Findings in Furtherance of the
Acquisition of FairPoint Communications, Inc.
and its New Hampshire Operating Subsidiaries
by Consolidated Communications Holdings, Inc.**

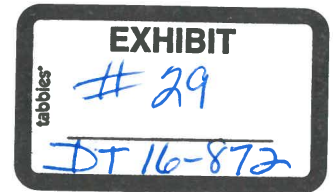
**PREFILED REBUTTAL TESTIMONY OF
MICHAEL C. REED**

On Behalf of FairPoint Communications, Inc.

May 18, 2017

Mr. Reed attaches the following exhibits to his Rebuttal Testimony:

- Exhibit Reed-Rebuttal 1 (Prefiled Direct Testimony of Joel F. Jeanson (Public-Redacted), Docket No. 8881, Vt. Pub. Svc. Bd., Mar. 29, 2017) (Mr. Jeanson reviews Consolidated's financial capabilities)
- Exhibit Reed-Rebuttal 2 (Prefiled Direct Testimony of Ardeth Smith (Public-Redacted), Docket No. 8881, Vt. Pub. Svc. Bd., Mar. 29, 2017) (Mr. Smith reviews Consolidated's transaction planning and business reputation)



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PREFILED REBUTTAL TESTIMONY OF MICHAEL C. REED

1 **I. INTRODUCTION**

2 **Q: Please state your name and occupation.**

3 A: My name is Michael C. Reed. Since 2010, I have been employed by FairPoint
4 Communications, Inc. (“FairPoint”) as the FairPoint State President in Maine. In
5 addition, I was recently named FairPoint State President in Vermont. I am
6 FairPoint’s principal witness in the present Docket.

7 **Q: Did you previously submit Prefiled Direct Testimony in this proceeding?**

8 A: Yes, I submitted Prefiled Direct Testimony in this Docket on January 13, 2017.

9 **Q: What is the purpose of your testimony?**

10 A: Consolidated’s acquisition of FairPoint will create a combined company with
11 sufficient scale and diversification to meet the competitive and technological
12 challenges facing local exchange providers today while remaining close to its
13 local communities in order to respond to the changing needs of its customers. My
14 testimony provides an overview of what a merged FairPoint Communications and
15 Consolidated Communications will mean to FairPoint’s stakeholders in New
16 Hampshire. I will also provide updates on several notable events that have
17 occurred since January that are relevant to this proceeding. Additionally, I will
18 respond to several issues that were raised in the Prefiled Direct Testimony
19 submitted on April 19, 2017, by witnesses on behalf of the Commission Staff and
20 the Labor Intervenors.

1 **II. OVERVIEW OF BENEFITS FOR NEW HAMPSHIRE**

2 **Q: What does the transaction mean for stakeholders of FairPoint’s operations in**
3 **New Hampshire?**

4 A: The acquisition of FairPoint’s stock by Consolidated will give FairPoint a new
5 corporate owner, with improved financial and strategic flexibility and with greater
6 operational capacity and scale, while leaving in place and unchanged all of
7 FairPoint’s existing operating authority, its existing retail and wholesale contracts,
8 agreements and arrangements, and its existing obligations under orders issued by
9 the Commission and by other courts and agencies in New Hampshire. The
10 transaction will be seamless to customers of FairPoint’s wholesale and retail
11 services and to other users of FairPoint’s network in New Hampshire, including
12 competitive local exchange carriers (“CLECs”) that are parties with FairPoint to
13 interconnection agreements, utility companies that are parties with FairPoint to
14 pole agreements, and rural local exchange carriers (“RLECs”) with whom
15 FairPoint has longstanding network arrangements. FairPoint, through its New
16 Hampshire operating subsidiaries, will continue to be a party to all existing
17 contracts and agreements, including its collective bargaining agreements with
18 FairPoint’s union employees.

19 The transaction does not require any change in the rates, terms or conditions
20 of FairPoint’s services. The transaction also does not require any system
21 cutovers, so retail customers and wholesale carriers will experience no change and
22 no disruption in their FairPoint accounts as a result of the transaction. As
23 described in detail by Consolidated, if and when any system changes are to be

1 made in the normal course of business they will be carefully planned and
2 implemented to ensure a seamless conversion.

3 In practical terms, the transaction will create a combined company with
4 greater scale and strategic flexibility than FairPoint has as a standalone company.
5 The combined company will afford greater opportunities for the delivery of new
6 and innovative products and services and will enhance competition in New
7 Hampshire's telecommunications markets.

8 **Q: Does the transaction better position FairPoint to meet the challenges of the**
9 **changing telecommunications industry?**

10 A: Yes. The industry has experienced significant changes in technology, regulation
11 and competition in recent years. Wireline companies like FairPoint have
12 experienced significant loss of access lines as competing technologies, from
13 wireless to cable telephony to over-the-top Voice over Internet Protocol ("VoIP")
14 providers, have claimed an increasing share of the voice communications market.
15 The Federal Communications Commission ("FCC") has adopted comprehensive
16 reforms of both interstate and intrastate access and federal universal service, with
17 resulting pressures on the revenues of landline carriers. At the same time,
18 customers require ever-increasing broadband data speeds to meet the needs of an
19 evolving communications marketplace. FairPoint has kept pace with these
20 industry changes by making significant investments in its broadband
21 infrastructure and by adding new services, such as its data center services, to
22 diversify its business offerings. The combination of FairPoint and Consolidated
23 will create a stronger company that is better positioned to meet rapidly changing

1 technologies and to compete effectively in the New Hampshire
2 telecommunications marketplace.

3 **III. TRANSACTION UPDATE**

4 **Q: Have there been any notable events in the transaction since you filed your**
5 **direct testimony in January?**

6 A: Yes, the transaction is making steady and substantial progress toward a closing at
7 the end of June. First, the Federal Trade Commission granted early termination of
8 its Hart-Scott-Rodino review of the transaction. Second, as of the filing of this
9 rebuttal testimony, the merger has been approved in five of the eleven
10 jurisdictions that require a state regulatory approval process. Third, on March 28,
11 2017, FairPoint's shareholders and Consolidated's shareholders voted
12 overwhelmingly to approve the transaction. Among those who voted, 96% of the
13 FairPoint shareholders and 98% of the Consolidated shareholders were in favor of
14 the transaction. Most recently, on May 8, 2017, the Federal Communications
15 Commission approved the transaction in WC Docket No. 16-417.

16 These events, individually and taken together, indicate that the transaction
17 has made significant progress toward meeting all conditions necessary for closing.

18 **IV. REBUTTAL TO THE TESTIMONY OF STAFF WITNESSES**

19 **Q: What is your overall reaction to the testimony of Liberty Consulting Group's**
20 **witnesses on behalf of the Commission Staff?**

1 A: The testimony offered by Liberty Consulting Group (“Liberty”) delivered a mixed
2 verdict on this transaction, seemingly because Liberty undervalues the strong
3 managerial and technical capabilities Consolidated has demonstrated in its
4 previous successful acquisitions. Liberty witness Randall Vickroy rightly
5 concluded that Consolidated is financially capable of maintaining FairPoint’s
6 obligations as an ILEC-ELEC in New Hampshire. But Liberty joint-witnesses
7 John Antonuk and Dr. Charles King put more weight on unfounded speculation
8 than on Consolidated’s previous successful acquisition experiences which testify
9 to the strong managerial and technical capabilities of Consolidated.

10 **A. Financial Capabilities**

11 **Q: Do you wish to make any comment on Mr. Vickroy’s assessment of**
12 **Consolidated’s financial capabilities?**

13 A: Yes. Other than a single issue Mr. Vickroy raises concerning the interpretation of
14 a phrase in Consolidated’s financing agreements, Mr. Vickroy confirms the
15 Petitioners’ own view of Consolidated’s sound financial condition and the many
16 economic benefits of the proposed transaction. More specifically, he looks at
17 three main elements of financial capability. First, Mr. Vickroy confirms
18 Consolidated’s strong financial performance in the past five years, particularly as
19 compared to FairPoint and other industry peers.¹

20 Next, Mr. Vickroy describes the significant economic benefits of
21 Consolidated’s refinancing of the existing FairPoint debt. Under this refinancing,

¹ Vickroy Direct Testimony, at 17-18.

1 Consolidated will replace FairPoint’s existing 7.5% terms loans with 4% term
 2 loans and will extend the maturity dates on the indebtedness from 2019 to 2022.
 3 As Mr. Vickroy observes, “Consolidated’s Term Loan B financing for the
 4 FairPoint Acquisition takes 2019 re-financing risk off the table, and provides
 5 substantially lower financing costs that strengthen FairPoint’s post-Acquisition
 6 financial health.”² This is a particularly significant attribute of this transaction,
 7 given the challenges that Mr. Vickroy describes FairPoint might face if it were to
 8 seek financing on its own given its emergence from bankruptcy in 2011.³ At the
 9 same time, as Mr. Vickroy confirms, Consolidated’s refinancing of FairPoint’s
 10 debt immediately reduces the combined company’s net leverage.⁴

11 Finally, Mr. Vickroy reports on the results of the “stress tests” conducted on
 12 Consolidated’s pro forma financial model. The stress tests demonstrate that
 13 Consolidated has sufficient financial strength to withstand serious financial stress
 14 post-Acquisition⁵ other than the remote possibility of the “worst case scenario”
 15 (Stress Test 6), which he describes as being “extreme and unlikely to occur.”⁶

16 In sum, Mr. Vickroy’s testimony validates and underscores the Petitioners’
 17 view that Consolidated strongly and completely satisfies the requirement of being
 18 financially capable of maintaining FairPoint’s ILEC-ELEC obligations in New
 19 Hampshire.

² Vickroy Direct Testimony, at 36:12-14.

³ Vickroy Direct Testimony, at 16:14 through 17:4.

⁴ Vickroy Direct Testimony, at 38:13-20; *see* Joint Petition, at 12.

⁵ Vickroy Direct Testimony, at 29:8 through 34:20.

⁶ Vickroy Direct Testimony, at 38:1.

1 **B. Managerial & Technical Capabilities**

2 **Q: Please explain your understanding of Liberty’s assessment of Consolidated’s**
3 **managerial and technical capabilities.**

4 A: Mr. Antonuk and Dr. King offer an inconsistent analysis of Consolidated’s
5 managerial and technical capabilities. On the one hand, they conclude that
6 Consolidated does have the financial, managerial and technical capability to
7 operate FairPoint’s business today.⁷ But they have questions about “operating in
8 the future a business (both what Consolidated has now and what FairPoint will
9 bring) that faces increasing pressures.”⁸ And their uncertainty about hypothetical
10 future challenges leads them to conclude that Consolidated does not satisfy the
11 New Hampshire statutory standard because it failed to provide heretofore, i.e., in
12 its direct testimony or responses to interrogatories, sufficient evidence to satisfy
13 Liberty of its plans to operate the FairPoint companies.⁹

14 **Q: Do you agree with Liberty’s assessment of Consolidated’s managerial and**
15 **technical capabilities?**

16 A: No, I do not. Consolidated has convincingly demonstrated, through a series of
17 successful telecommunications acquisitions and integrations, that it has the
18 managerial and technical capabilities to acquire and run FairPoint’s New
19 Hampshire operations. Liberty acknowledges Consolidated’s considerable
20 experience but fails to give it enough weight in its analysis. Liberty speculates on

⁷ Antonuk/King Direct Testimony, at 14:1-9.

⁸ Antonuk/King Direct Testimony, at 14:9-11.

1 a variety of potential problems that may or may not occur in transitioning
2 FairPoint and Consolidated into a unified company. For example, Liberty
3 expresses concern over potential systems integration efforts, yet admits it did not
4 examine Consolidated's prior acquisitions to see whether any such problems
5 occurred or, if they occurred, how they were resolved.¹⁰ Liberty complains that
6 Consolidated has forced it "to substitute trust for missing details,"¹¹ but this
7 conclusion is not supported by the facts, given Consolidated's proven success in
8 its prior acquisitions and integrations, which Liberty could have easily evaluated
9 from public records available from state public utilities commissions. Moreover,
10 it is unreasonable of Liberty to expect Consolidated to have developed detailed
11 contingency plans addressing Liberty's hypotheticals prior to filing its direct
12 testimonies and providing responses to hundreds and hundreds of interrogatories,
13 only weeks after announcing the transaction. As detailed in its rebuttal
14 testimonies, in the weeks and months since announcing the transaction,
15 Consolidated has expanded its due diligence efforts and now has much greater
16 access and visibility into FairPoint's operations, which was not practical or even
17 possible prior to announcing the transaction.

18 **Q: Do you have an example of Liberty's reliance on speculation rather than on**
19 **Consolidated's actual experience?**

⁹ See e.g., Staff's Response to Consolidated 1-40 ("Our focus was on the capability of Consolidated, which in terms of FairPoint, is relevant post-acquisition, under the standard we understand to be applicable in examining this acquisition."),

¹⁰ Staff's Responses to FairPoint 1-3 and 1-4 and Supplemental Response to FairPoint 1-4.

¹¹ Antonuk/King Direct Testimony, at 15:8-9.

1 A: Yes. Mr. Antonuk and Dr. King testified about billing systems conversions.

2 They said:

3 We also note that Consolidated's past acquisitions indicate a
4 predilection to convert to its own billing and customer care
5 systems. Billing systems conversions historically have been
6 among the most difficult to execute smoothly without significant
7 customer impact. Although Consolidated again claims that its
8 experience with these conversions has been good, we are
9 concerned that Consolidated might try to "force fit" FairPoint's
10 billing and customer care into its own system, despite potential
11 adverse customer impact.¹²

12 In discovery, FairPoint asked the Liberty's witnesses to identify any
13 previous billing systems conversions in which Consolidated experienced
14 difficulty in executing a smooth conversion, and any billing systems conversions
15 in which Consolidated tried to "force fit" the acquired company's "billing and
16 customer care" into Consolidated's own system. Mr. Antonuk responded that
17 Liberty had "not performed the study required to identify aspects of [the prior
18 acquisitions] necessary for responding to this question and assessing the relevance
19 to this acquisition."¹³ He admitted that the witnesses "are neither aware of any
20 [such problems], nor have we contended that there were any."¹⁴

21 Without being aware of any prior problems in Consolidated's billing
22 systems conversions, and without making any effort to determine whether such
23 problems even occurred in Consolidated's prior acquisitions, Liberty simply
24 concluded that Consolidated has not provided sufficient contingency planning
25 documentation to indicate how it will deal with such a hypothetical situation
26 should it arise following the completion of this transaction.

¹² Antonuk/King Direct Testimony, at 57:10-16.

1 **Q: Do you have anything further to add about Liberty's critique of**
2 **Consolidated's plans?**

3 A: Yes. It is important to note that this is not an asset sale in which a new company
4 with a new workforce and new systems is commencing business, and the old
5 company is closing up shop and ceasing its operations. FairPoint is a fully
6 operational business that will continue to operate after the close with only an
7 upstream change in its corporate parent. The nature of this transaction gives
8 Consolidated time to evaluate FairPoint's operations and make sound business
9 judgments about how and when to achieve a smooth and orderly integration of the
10 two companies.

11 **Q: Does Liberty's discussion of Consolidated's managerial and technical**
12 **capabilities make sense?**

13 A: No. It appears that Dr. King's analysis should support a determination that
14 Consolidated is technically capable of taking on the FairPoint ILEC obligations.
15 Dr. King speaks approvingly of the way Consolidated's network staff is organized
16 and notes that its network planning and engineering staff has an average of over
17 20 years of experience.¹⁵ He notes the compatibility between the switching
18 equipment and OSS systems that Consolidated and FairPoint presently use, and
19 observes that the two companies even use many of the same equipment vendors.¹⁶
20 Dr. King finds that Consolidated generally meets its service quality objectives and

¹³ Staff's Response to FairPoint 1-4(a).

¹⁴ Staff's Response to FairPoint's 1-4(b).

¹⁵ Antonuk/King Direct Testimony, at 45:19 through 46:6.

¹⁶ Antonuk/King Testimony, at 46:7-13 & 47:1-5.

1 has not experienced a major network outage over the past five years.¹⁷ Dr. King
 2 also concluded that “Consolidated’s approach to dealing with operations support
 3 systems make sense,”¹⁸ because leaving FairPoint’s systems and staff in place at
 4 closing will avoid “[t]he experience of significant disruption from the wholesale
 5 cutover of all OSS as part of the 2008 FairPoint acquisition of the Verizon local
 6 exchange business.”¹⁹ Finally, Dr. King notes that Consolidated plans to maintain
 7 FairPoint’s Wholesale Carrier Group to meet the obligations under the
 8 Performance Assurance Plan (now known as the Wholesale Performance Plan).²⁰
 9 Additionally, Consolidated will continue to follow the FairPoint Wholesale
 10 Operations OSS Interface Change Management Process. To this point, I would
 11 add that no CLECs intervened in the docket.

12 This analysis should support a finding that Consolidated is technically
 13 capable of operating an ILEC-ELEC business in New Hampshire. But once
 14 again, Liberty concludes a lack of adequate planning to address future
 15 uncertainties leads Liberty to recommend the Commission should not find
 16 Consolidated technically capable under the statute. I disagree with this
 17 recommendation, which not only misunderstands the nature of this transaction
 18 (see page 11, lines 3-10, above) but goes well beyond the narrow scope required
 19 by SB48. The Commission’s determination must be based on Consolidated’s
 20 actual capabilities, as well as on the capabilities (in the wholesale area, for
 21 example) that FairPoint brings to the combined company. Liberty’s reliance on

¹⁷ Antonuk/King Testimony, at 47:15-19.

¹⁸ Antonuk/King Testimony, at 56:14-15.

¹⁹ Antonuk/King Testimony, at 56:15-16.

²⁰ Antonuk/King Testimony, at 60:3-7.

1 speculation about circumstances for which there is no evidence (such as a
2 hypothetical “significant downsizing of FairPoint’s workforce”) should not play a
3 role in the determination of Consolidated’s capabilities.

4 **Q: What is your assessment of Consolidated’s managerial and technical**
5 **capabilities under the applicable standard?**

6 A: Consolidated brings substantial experience in acquiring, integrating and managing
7 telecommunications companies in a wide range of states and settings. As the
8 Petitioners have said from the very beginning, this transaction is a stock
9 acquisition that will leave all operations on the ground in place following the
10 closing. FairPoint’s existing operating authorities, contracts, agreements, and
11 regulatory obligations will be unchanged by this transaction. There will be no
12 system cutovers required by the closing, and any future system transitions or
13 conversions will be managed in an orderly manner, with adequate planning,
14 notice and time to ensure a smooth transition. FairPoint’s basic services and
15 wholesale services will not change as a result of this transaction. For all these
16 reasons, I am confident that Consolidated has the managerial and technical
17 capabilities required under New Hampshire law to maintain FairPoint’s ongoing
18 obligations as an ILEC-ELEC.

19 **C. Response to Liberty’s Proposed Conditions**

20 **Q: How do you respond to Liberty’s proposed conditions on this transaction?**

21 A: First, I am surprised Liberty is considering imposing conditions that will place
22 Consolidated at a competitive disadvantage in a highly competitive industry.

1 Rather than propose conditions that will hamstring Consolidated's ability to
2 effectively and efficiently manage the business, I expected Liberty to welcome
3 Consolidated to the state of New Hampshire and to encourage the merged
4 company to invest in the network and roll out new innovative products and
5 services. I am very concerned at Liberty's emphasis on maintaining all of
6 FairPoint's executive and managements positions and at least 95% of FairPoint's
7 labor headcount for a full three-year period after the closing. On the one hand,
8 Liberty criticizes Consolidated for appearing not to have assessed whether
9 FairPoint's staffing levels are appropriate,²¹ particularly in light of "[t]he financial
10 and operating difficulties of Northern New England's operator of
11 telecommunications networks, combined with continuing customer losses of
12 major proportions."²² But at the same time, they insist that FairPoint's workforce
13 levels must remain essentially unchanged for three years, regardless of any
14 changes that may occur in the competitive, technological or economic landscape
15 of the telecommunications industry. Mr. Vickroy has testified about FairPoint's
16 declines in voice service revenues and access revenues in recent years, without
17 sufficient offsetting growth in broadband revenues.²³ Freezing workforce levels
18 in place in such an environment is not a prudent choice.

19 It's also surprising that, based solely on conjecture, Liberty proposes the
20 Commission lock in for a period of up to three years existing workforce levels
21 rather than focus on ensuring continued investment in a robust and

²¹ Antonuk/King Direct Testimony, at 46:6-12.

²² Antonuk/King Direct Testimony, at 21:12-14.

²³ Vickroy Direct Testimony, at 8:9-19.

1 technologically advanced network and on encouraging the deployment of new
2 services. Liberty's proposal ignores FairPoint's experience in New Hampshire
3 over the last several years—a period that has seen FairPoint improving its
4 operations and services while reducing headcount in response to the sustained and
5 significant reduction in access lines resulting from intense competition. (See page
6 19 below.) Liberty's proposal would block the merged company from responding
7 to actual market forces.

8 From FairPoint's perspective, imposing a freeze on workforce reductions is
9 an inefficient and ineffective strategy for maintaining or improving basic and
10 wholesale services in New Hampshire. A more direct approach is to invest in
11 network upgrades and to offer new products and services in order to attract new
12 customers and increase revenues. Investing in the network and expanding service
13 offerings will support workforce levels and enable the company to retain
14 sufficient construction, maintenance and customer services employees, while
15 providing measurable improvements in service.

16 **Q: Do you share Liberty's concerns about the effects of the regulatory**
17 **proceedings in Maine and Vermont on this proceeding in New Hampshire?**

18 A: No, I do not. While the three Northern New England states face common
19 challenges, each state has its own regulatory and statutory requirements as well as
20 unique geographies. Because Mr. Antonuk raised this issue, I am attaching (as
21 **Exhibits Reed-Rebuttal 1 and Reed-Rebuttal 2**) the testimony of the financial
22 and operational consultants for the Vermont Department of Public Service in the

1 analogous proceeding before the Vermont Public Service Board in Docket No.
2 8881 for comparison purposes.

3 What concerns me in Liberty's testimony is the suggestion that New
4 Hampshire is somehow harmed by having less regulation of
5 telecommunications.²⁴ Rather than see each state as competing against the others
6 for resources, as Liberty's testimony appears to do, FairPoint prefers moving
7 forward in this transaction with similar proposals among the three states
8 regardless of statutory differences in ILEC regulation.

9 **D. Summary of Rebuttal to Staff**

10 **Q: Will you please summarize your rebuttal to the Liberty's witnesses?**

11 A: The Liberty witnesses emphasize speculation about remote future risks over
12 focusing on a stronger telecom competitor and how that benefits New Hampshire
13 stakeholders, from customers and competitors to New Hampshire's healthy
14 economic development. Consolidated more than satisfies the applicable financial,
15 managerial and technical statutory standard. The State of New Hampshire will be
16 better with the combined company than it will be with FairPoint alone.

17 **V. REBUTTAL TO THE TESTIMONY OF LABOR INTERVENORS**

18 **Q: Please provide your understanding of the key points addressed in the Labor**
19 **Intervenors' direct testimony filed by Messrs. Barber and Soule.**

20 A: Mr. Barber's testimony characterizes the transaction as a "one-way street" that is
21 more beneficial to Consolidated and its shareholders than to FairPoint and its

1 stakeholders.²⁵ In addition, Mr. Barber contends that Consolidated is “unprepared
2 to acquire FairPoint and manage its operations” and that Consolidated’s projected
3 synergies may inhibit its ability to maintain or improve FairPoint’s operations.²⁶
4 Mr. Barber also surprisingly asserts that the benefits of this transaction are
5 somehow undercut by his own unsupported conjecture that FairPoint could have
6 refinanced its debt on a stand-alone basis and achieved significant interest
7 savings.²⁷

8 Mr. Soule’s testimony expounds on three subjects: (1) his opinion on
9 various aspects of FairPoint’s operations, including the sufficiency of current
10 work force levels, the adequacy of transportation equipment provided to field
11 personnel, and concerns about the Company’s maintenance programs; (2) his
12 particular concerns about staffing at FairPoint’s Network Operations Center
13 (“NOC”) in Manchester; and (3) his overall concerns about whether Consolidated
14 will be able to achieve its synergies estimates and provide adequate service to
15 customers.²⁸

16 **Q: Do you agree with Mr. Barber’s testimony that the transaction is a “one-way**
17 **street” that benefits only Consolidated to the detriment of FairPoint and its**
18 **stakeholders other than to its shareholders?**

19 **A:** No. The transaction presents many benefits and opportunities for FairPoint and
20 its stakeholders. As for any concern for shareholders, the Commission need not

²⁴ Antonuk/King Direct Testimony, at 39:4-17.

²⁵ Barber Direct Testimony, at 8:19 through 9:157

²⁶ Barber Direct Testimony, at 10:1 & 14:5.

²⁷ Barber Direct Testimony, at 36:4 through 37:5.

²⁸ Soule Direct Testimony, at 5:17 through 35:12.

1 look any further than to March 28, 2017, when both FairPoint’s and
2 Consolidated’s shareholders voted overwhelmingly—over 95% of voters in each
3 case—to approve the merger. As for all other FairPoint stakeholders, including
4 customers and employees, the evidence clearly demonstrates that the transaction
5 will result in a stronger combined entity that will have the financial, managerial
6 and technical ability to continue to provide high quality service to FairPoint’s
7 retail and wholesale customers. Contrary to Mr. Barber’s testimony, the
8 transaction is mutually beneficial to both companies and their respective
9 stakeholders.

10 **Q: Mr. Barber asserts that if FairPoint had sought to refinance its existing debt**
11 **on its own it would have been able to obtain a much lower rate. Do you wish**
12 **to comment?**

13 A: Yes. Speculation as to whether FairPoint could have refinanced its existing debt
14 on a stand-alone basis earlier this year has no bearing on the regulatory approvals
15 before the Commission. Moreover, Mr. Barber’s testimony is sheer conjecture as
16 to how the credit markets might have responded had FairPoint actually sought to
17 refinance its debt on a stand-alone basis. Mr. Barber admits as much in his
18 testimony. He refers to his analysis as “hypothetica[l]” and “counterfactual” and
19 even concedes that “[t]here is no way to know what rate FairPoint would have
20 been able to obtain without actually testing the market.”²⁹ Mr. Barber’s opinions
21 are pure supposition and baseless speculation that the Commission should
22 disregard.

1 **Q: What are your general impressions of Mr. Soule’s testimony?**

2 A: Throughout his testimony, Mr. Soule fails to acknowledge the competitive nature
3 of the communications business today. He also fails to recognize the impacts of
4 advances in technology on the business, and provides only anecdotal statements
5 with no data to support his claims. In some instances the information he provides
6 is in error or contains serious omissions.

7 **Q: With regard to Mr. Soule’s testimony, do you agree that the Company’s**
8 **organized work force has been cut back too far to the point that it is unable**
9 **to provide safe and reliable service?**

10 A: No, I do not agree. FairPoint maintains a sufficient work force to provide safe
11 and reliable service to its customers, remain competitive and continue to expand
12 its robust network. The Company matches its work force to expected workload or
13 “load”, while operating in a dynamic competitive environment. An important
14 issue that Mr. Soule’s testimony fails to acknowledge is that FairPoint faces
15 intense competition for customers in New Hampshire and, like its competitors,
16 FairPoint must manage its operating costs. The Company adjusts its work force
17 in all areas of its business to meet customer expectations and service demands,
18 while balancing the need to remain competitive in the New Hampshire
19 communications marketplace. As described in more detail later in my testimony,
20 this includes ongoing training and cross-training of employees, properly
21 equipping employees, and investing in technology to further improve efficiency
22 and quality.

²⁹ Barber, Direct Testimony, at 36:16-17 & 37:9-13.

1 Mr. Soule’s testimony ignores the significant reduction in access lines over
2 the past decade that has resulted from the intense competition FairPoint faces.
3 Significantly, during 2009–2016 FairPoint New Hampshire experienced a slightly
4 higher rate of decline in access lines (over 60%) compared to associate and labor
5 headcount decline (about 58%). FairPoint continues to match its force to load,
6 meaning it employs adequate resources to safely and reliably serve existing and
7 new customers and to build and maintain its network.

8 **Q: How do you respond to Mr. Soule’s testimony regarding the Network**
9 **Operations Center?**

10 A: The Network Operations Center (“NOC”) located at 875 Holt Avenue,
11 Manchester, New Hampshire, is responsible for monitoring and maintaining the
12 entire NNE network on a 7x24 basis. The Holt Avenue facility houses the NOC
13 and the Customer Service Maintenance Center (“CSMC”). The CSMC manages
14 complex customer networks and troubles. The NOC is sufficiently staffed to
15 perform all functions of monitoring and maintaining all major elements of the
16 network, including 356 Central Offices located throughout NNE, the System
17 Switching 7 (SS7) network, power, etc. Similarly the CSMC is appropriately
18 staffed to effectively meet the needs of large customers. Central Office
19 technicians (COT) who staff the NOC are well trained and cross trained to stay
20 current with changes in technology.

21 **Q. How do you respond to Mr. Soule’s assertion that alarms are ignored?**

1 **A.** Mr. Soule stated that alarms that should be monitored in the NOC in order to head
2 off troubles for Central Offices and remotes are being ignored. This is not
3 accurate. Alarms received in the NOC are immediately responded to as a matter
4 of company policy and practices despite the fact that oftentimes alarms are not
5 service affecting.

6 **Q: How do you respond to Mr. Soule's testimony criticizing the Company's**
7 **dispatch function?**

8 **A:** Mr. Soule failed to mention anything about FairPoint's investment in
9 advancements in technology that allow field personnel to be dispatched to jobs
10 more efficiently. Prior to the adoption of this dispatch technology, a dispatch
11 center was responsible for manually tracking and assigning work orders to field
12 personnel. That process was labor intensive and inefficient as it was difficult to
13 match field personnel to jobs and achieve an efficient work flow.

14 **Q: How has technology changed the Company's approach to dispatch?**

15 **A:** Today, all trouble reports are tested and all installations are assigned by the
16 system when ready for dispatch based on priority, geography, availability and
17 qualifications. The total workload or "load" is monitored throughout the day and
18 adjustments and reassignments of work are made as needed. The amount of time
19 to complete each job for each technician is recorded, measured and reported daily
20 to the technician's local manager and at an aggregate level through all layers of
21 management. All technicians have laptops and cell phones and each truck is
22 equipped with GPS, which enables adjustments to the workload to be timely and

1 efficiently assigned to an appropriate technician. This use of this technology is a
2 serious omission from Mr. Soule's testimony.

3 **Q: Will you please respond to Mr. Soule's testimony that force reductions have**
4 **prevented FairPoint from adequately maintaining its network?**

5 A: As I described previously, FairPoint constantly balances its work force to its
6 workload, including maintenance of the network. For example, during 2016
7 FairPoint technicians performed hundreds of routine maintenance functions per
8 month to support maintenance of the network. One assertion made by Mr. Soule
9 is that batteries are no longer tested or maintained.³⁰ This is inaccurate. While
10 FairPoint no longer maintains a "ProAct" workforce dedicated solely to testing
11 and maintaining batteries, this function continues to be performed by trained
12 employees. In fact, central office batteries used in the event of a commercial
13 power failure are tested at least monthly. Batteries in Central Offices and remote
14 terminals that serve a Public Service Answering Point ("PSAP") are tested
15 regularly. From January 2016 through first quarter 2017, for example, nearly
16 2,000 battery routines were performed throughout Maine, New Hampshire and
17 Vermont. In addition to the routine testing and maintenance of batteries,
18 FairPoint has a budget of over \$650,000 per year to replace outdated or failed
19 batteries.

20 Another advancement not mentioned by Mr. Soule is that FairPoint has
21 invested in Sentinel technology that significantly extends the operating life of

³⁰ Soule Direct Testimony, at 26:19-21.

1 batteries in the field. Over 130 sites across the three states now have Sentinel
2 installed. In addition to the charging of the batteries as needed, the unit
3 electronically sends the NOC, Engineering and Operations daily summaries of the
4 status of the batteries on site and sends notification of any alarms when they arise.
5 This technology replaces the need for technicians to be dispatched to test the
6 batteries and extends the life of the batteries by threefold.

7 **Q: Mr. Soule criticizes FairPoint's management of its fleet of vehicles and**
8 **complains that field personnel are not provided with bucket trucks necessary**
9 **to do their work. How do you respond?**

10 A: The Company manages its vehicle fleet to ensure its personnel have the necessary
11 equipment to effectively and efficiently perform their job. Over-equipping
12 personnel is as inefficient as under-equipping personnel and is unacceptable
13 financially. Nearly every field technician wants to drive a bucket truck, but not
14 every technician needs a bucket truck to safely or properly perform his/her work.
15 Given the construct of FairPoint's network today, including advances in
16 technology that require less technician time in the air, bucket trucks are simply
17 not a necessity for every field technician. FairPoint has responsibly determined
18 circumstances where a technician can perform his/her job efficiently with a cargo
19 van, and the added expense of an underutilized bucket truck is not economically
20 justified. I note that the ratio of bucket vans/trucks to cargo vans decreased from
21 2.3 in 2011 to 1.4 in 2016.

22 In the same way the Company must match force to workload, the Company
23 must purchase new equipment when needed to perform necessary construction.

1 For example, the Company is performing considerable network expansion for the
2 CAF II program. FairPoint recently purchased 13 new heavy-duty line
3 construction vehicles to set poles and place cable. Each of these trucks costs
4 between \$200,000 and \$250,000. This is but one example of the Company
5 purchasing new equipment to enable its employees to meet the needs of its
6 customers. Given the competitive environment in which FairPoint operates, it is
7 imperative that the Company match equipment to the actual type of work that
8 field personnel are performing. Neither the Company nor the customer is best
9 served by over-equipping or under-equipping field personnel.

10 **VI. SUMMARY AND CONCLUSION**

11 **Q: Please summarize your rebuttal testimony.**

12 A: The Petitioners have satisfied the applicable standards for favorable Commission
13 findings in New Hampshire. Since January, when FairPoint and Consolidated
14 filed their Joint Petition in this proceeding, the transaction has made significant
15 progress toward meeting the requirements for closing, including shareholder
16 approvals and multiple federal and state regulatory approvals, including approval
17 by the FCC last week. To the extent Liberty has concluded that Consolidated is
18 managerially, technically, and financially capable of meeting FairPoint's ILEC-
19 ELEC obligations in New Hampshire, FairPoint agrees. FairPoint disagrees with
20 the contention that Consolidated thus far has failed to provide adequate plans to
21 address Liberty's unsupported speculation about hypothetical future problems,
22 particularly when there is so much evidence demonstrating Consolidated's

1 successful integrations in its prior acquisitions. FairPoint finds no merit
2 whatsoever with the unsupported statements of the Labor Intervenors' witnesses.
3 FairPoint vehemently disagrees that Liberty's and Labor's unfounded speculation
4 in any way diminishes Consolidated's clearly demonstrated strong financial,
5 managerial and technical capabilities.

6 **Q: Does this conclude your prefiled rebuttal testimony?**

7 **A: Yes.**