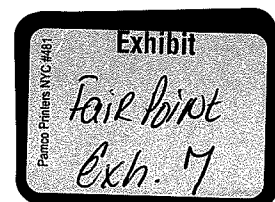


**STATE OF NEW HAMPSHIRE**  
**BEFORE THE**  
**PUBLIC UTILITIES COMMISSION**  
**DT 07-011**

**Joint Petition by Verizon New England, Inc., et al.  
and FairPoint Communications, Inc.  
Transfer of New Hampshire Assets of  
Verizon New England, Inc. et al.**

**Rebuttal Testimony of Peter G. Nixon  
On Behalf of  
FairPoint Communications, Inc.**

**September 10, 2007**



Summary: In response to the testimony of various Intervenors and the New Hampshire Public Utilities Commission Staff (Staff), and the issues raised therein, since the filing of FairPoint’s direct case in Docket DT 07-011 (this Docket) and to update FairPoint’s direct case, Mr. Nixon provides an overview of the significant progress FairPoint has made since announcing the transaction; addresses: management and transition issues, including the structure of new operations and human resources (including integrating Verizon’s employees) and retail service matters; and summarizes FairPoint’s position with respect to wholesale issues.

**TABLE OF CONTENTS**

Introduction..... 1  
 Benefit to New Hampshire and Progress on Implementation .....4  
 Governance, Management and Transition..... 11  
 Human Resources .....29  
 Retail and Wholesale Service .....35  
 Conclusion .....44

Mr. Nixon Sponsors the Following Exhibits:

- Exhibit PGN-2      Resume of Brian Lippold
- Exhibit PGN-3      Resume of Steven Rush
- Exhibit PGN-4      Resume of Ralph Wasner
- Exhibit PGN-5      Resume of Gracie Coleman
- Exhibit PGN-6      Resume of Jane Valik
- Exhibit PGN-7      FairPoint Management Organization Chart
- Exhibit PGN-8      Employee Survey
- Exhibit PGN-9      Business Integration Plan

## Introduction

1

2 **Q.** Please state your name.

3 **A.** Peter G. Nixon.

4 **Q.** Are you the same Peter G. Nixon who previously filed testimony on behalf of FairPoint  
5 Communications, Inc. (“FairPoint”) in this proceeding?

6 **A.** Yes.

7 **Q.** What is the purpose of your testimony?

8 **A.** I will introduce our rebuttal testimony and provide an overview of the substantial  
9 progress we have made since announcing the transaction. I will respond to the testimony  
10 of other parties as appropriate and address issues raised by the parties and the  
11 Commission Staff since the filing of FairPoint’s direct case. In the course of doing this, I  
12 will address governance, management and transition issues, including the structure of the  
13 new operation; human resources, including integrating Verizon’s employees; retail and  
14 wholesale issues; broadband policy, and other issues raised by parties or Staff.

15 **Q.** Who else will be providing rebuttal testimony on behalf of FairPoint and what will they  
16 cover?

17 **A.** FairPoint will offer rebuttal testimony from the following witnesses:

18 • Walter E. Leach, Jr., Executive Vice President, Corporate Development, will  
19 provide rebuttal testimony primarily to address issues raised in the direct

1 testimony of the Labor Intervenors (primarily the Communications Workers of  
2 America and International Brotherhood of Electrical Workers (“CWA/IBEW”)'s  
3 witness Randy Barber), and in the pre-filed rebuttal testimonies of OCA witness  
4 David Brevitz, and other witnesses who purport to provide opinions concerning  
5 FairPoint's financial projections and other finance based opinions.

- 6 • William E. King, one of FairPoint's external expert witnesses, will provide  
7 rebuttal testimony primarily to address the reasonableness of certain financial  
8 projections prepared in connection with FairPoint's proposed acquisition of  
9 Verizon's Northern New England properties and other financial-related issues  
10 raised by various witnesses who submitted prefiled direct testimony. Mr. King  
11 will respond to Labor witness Randy Barber, OCA witness David Brevitz and  
12 other witnesses who purport to provide opinions concerning FairPoint's financial  
13 projections and other finance based opinions.

- 14 • Michael J. Balhoff, one of FairPoint's external expert witnesses, will provide  
15 rebuttal testimony primarily in four (4) areas: (i) FairPoint's investment plan; (ii)  
16 allocation of risks in the transaction; (iii) sensitivity analysis related to cash flows  
17 in 2012; and (iv) certain relevant insights about the capital markets today. Mr.  
18 Balhoff will respond to witnesses including Labor Witness, Randy Barber, and  
19 other witnesses who purport to provide finance based opinions.

- 20 • Rebuttal panel testimony will be provided through Michael S. Brown, Michael L.  
21 Harrington and John Smee with respect to network-related matters, outside plant,

1 inside plant, service quality, telephone pole and utility related issues and  
 2 FairPoint's plans for broadband expansion within the State of New Hampshire.

- 3 • Rebuttal panel testimony will be provided through Michael Haga (FairPoint) and  
 4 Arthur A. Kurtze (Capgemini) concerning the retention and qualifications of  
 5 Capgemini, the new network system architecture being developed by FairPoint  
 6 and Capgemini, cutover related issues and the transition process. The panel will  
 7 respond to witnesses including Labor witness Kenneth Peres, Staff and  
 8 competitive local exchange carrier (CLEC) sponsored witnesses.
  
- 9 • Brian Lippold will provide rebuttal testimony concerning wholesale services and  
 10 issues raised by the (CLEC) Intervenors in this docket.
  
- 11 • Michael T. Skrivan, will provide rebuttal testimony concerning various regulatory  
 12 issues that have arisen in this docket. Mr. Skrivan's testimony will respond to  
 13 issues raised by witnesses including Staff and CLEC sponsored witnesses.
  
- 14 • Dr. Douglas C. Sicker, the third of FairPoint's external expert witness, will  
 15 provide rebuttal testimony related to: (i) the appropriateness of Digital Subscriber  
 16 Line (DSL) as an evolutionary technology path for FairPoint to serve the Verizon  
 17 customer base and related assets in New Hampshire, Vermont and Maine; (ii) the  
 18 trade-offs between DSL and Fiber-To-The-Home (in terms of technology  
 19 capabilities, likelihood of ubiquity, speed of deployment, and cost of  
 20 deployment); (iii) how FairPoint's broadband plan helps meet New Hampshire's

1 broadband goals; and (iv) to the testimonies of witnesses regarding FairPoint's  
2 broadband plans.

3 **Q.** What will your position be with FairPoint on a post-closing basis?

4 **A.** President, responsible for the current Verizon operations in New Hampshire, Maine and  
5 Vermont, reporting to FairPoint's Chairman of the Board of Directors and Chief  
6 Executive Officer, Mr. Eugene B. Johnson.

7 **Q.** Will you also act as the President for the existing FairPoint operating entities?

8 **A.** Although I am President for FairPoint, Lisa Hood will continue in her capacity as the  
9 Chief Operating Officer – Telecom Group, responsible for the existing FairPoint  
10 operations, reporting to the CEO.

11 **Benefit To New Hampshire And Progress On Implementation**

12 **Q.** Will this transaction benefit the citizens and communities of New Hampshire and if so,  
13 how?

14 **A.** Yes. This transaction will benefit the citizens and communities of New Hampshire.  
15 FairPoint will invest nearly \$14 million within the first 18 to 24 months of closing to  
16 significantly expand broadband availability within the state. To accomplish this,  
17 FairPoint is deploying an advanced IP fiber-supported infrastructure, discussed in greater  
18 detail in the pre-filed rebuttal testimony of Michael Brown. FairPoint is also committed  
19 to filling 250 positions, all of which will benefit the citizens of New Hampshire.

1 Many of our Vice President level management team leaders will be located within  
2 Northern New England making them accessible to the various stakeholders and  
3 constituent groups. Our organizational structure is designed to be “customer facing”; in  
4 other words, focused on the customer with clear accountability to ensure that focus. We  
5 are also instituting a Field Marketing structure within our marketing organization to place  
6 marketing personnel in the communities across Northern New England. They will live  
7 and work in the communities, and from them we will gather important information about  
8 the needs of our customers and the communities in which they reside. We will have in-  
9 market staff to support all of our business customers and account representatives to meet  
10 at customer locations for our medium and large business accounts.

11 FairPoint is committed to being a leader in economic and community development in the  
12 communities we will serve, as well as those we already serve. We are creating a  
13 connectivity-enabled economic development initiative<sup>1</sup> based upon community, region  
14 and state collaboration. This initiative is designed to work with the existing economic  
15 development agencies, providing resources, expertise and tools to assist them in  
16 establishing and meeting measurable objectives for economic growth based upon  
17 broadband connectivity and collaboration. FairPoint will create and staff a department of  
18 community development, reporting to me as the President. We have engaged Frank  
19 Knott, president of ViTAL Economy, a nationally recognized leader in connectivity

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<sup>1</sup> I say “connectivity-enabled” in order to recognize the key role of broadband connectivity as the enabling infrastructure for multiple economic development efforts.

1 enabled economic transformation in rural and small urban communities to initiate and  
2 launch the program.

3 Finally, we are committed to supporting our wholesale customers with services, pricing  
4 and skilled personnel. These commitments as well as the status of the transaction and our  
5 plans are described in greater detail throughout my testimony as well the testimony of  
6 others sponsored by FairPoint.

7 **Q.** Has FairPoint made significant progress with respect to the transition of Verizon's  
8 operations in New Hampshire, Maine and Vermont to FairPoint since the transaction was  
9 announced and FairPoint's direct case was filed with the Commission?

10 **A.** Yes. Since my testimony was filed in March, 2007, FairPoint has made significant  
11 progress in system design and vendor selection, cutover planning, organization planning  
12 and design, business integration planning, broadband design, and addressing issues raised  
13 by many of the stakeholder groups. As Michael Haga and Arthur Kurtze describe,  
14 impressive progress has been made in the development of the operations and business  
15 support systems architecture. FairPoint's new operations and business support systems  
16 will operate as efficiently, if not more efficiently, than the existing Verizon systems,  
17 which have been developed and implemented over a significant number of years. The  
18 FairPoint systems architecture under development will include current technology, utilize  
19 some of the latest advances in technology and, over time, allow FairPoint to offer a  
20 broader range of products and services to New Hampshire, residents in comparison to  
21 current offerings. Further progress has been made with respect to the cutover as Verizon  
22 has refined and submitted to FairPoint its Final Cutover Plan (with FairPoint's input) and



1 FairPoint has refined and submitted to Verizon its Final Cutover Task List (with  
2 Verizon's input), as the two companies are thoroughly detailing every aspect of the data  
3 conversion and the business integration that will be necessary for a successful  
4 conversion.

5 **Q.** What progress has been made on network assessment and broadband expansion?

6 **A.** FairPoint's due diligence of the Verizon network in New Hampshire has enabled  
7 FairPoint to determine that Verizon's network is typical of the networks that FairPoint has  
8 acquired in the past (although larger) and overall remains in good condition, requiring  
9 mainly post-closing maintenance, which maintenance FairPoint is prepared to do.  
10 FairPoint's broadband expansion plan has been refined based upon further and additional  
11 access to Verizon's engineering records. FairPoint remains confident that its broadband  
12 expansion plan provides for addressability to over 100,000 additional access lines in the  
13 State of New Hampshire within two years of closing. FairPoint plans to utilize a network  
14 which allows for a more efficient use of bandwidth and provides FairPoint with a  
15 platform to offer multiple services to New Hampshire residents and businesses. FairPoint  
16 plans to build a broadband network which will provide customers access to the next  
17 generation of broadband based services.

18 **Q.** Please summarize FairPoint's position on provision of wholesale services, and provide an  
19 overview of progress toward meeting wholesale service needs.

20 **A.** In summary, wholesale customers will not be harmed by this transaction. They will, in  
21 fact, benefit from this transaction due to our commitment to maintain the rates and

1 services that they receive at the time of closing. FairPoint will assume all of Verizon's  
2 wholesale contracts as of the closing. FairPoint agrees to provide services that Verizon  
3 provides today, including those that meet the 14-point "competitive checklist" set forth in  
4 section 271(c)(2)(B) of the federal Communications Act, even though FairPoint is not a  
5 Bell Operating Company (BOC) and will not be a BOC after closing. As Brian Lippold  
6 and Mike Skrivan explain in greater detail, FairPoint believes that CLECs will be getting  
7 all the services and elements to which they are legally entitled, and much more.

8 To elaborate on this important subject, Mr. Lippold reports on the development of the  
9 wholesale team and progress FairPoint has made in planning for the transition to new  
10 wholesale systems. As part of that testimony, he will explain the testing and training  
11 processes which will enable CLECs to prepare for the transition to FairPoint's systems.

12 Mr. Lippold also discusses how existing interconnection and other inter-carrier  
13 agreements will be assumed by FairPoint, with no diminution in services to CLECs, and  
14 how CLECs will enjoy the same rates (including volume discounts) after the closing.

15 As explained by Mr. Lippold, FairPoint will agree to extend in writing all inter-carrier  
16 agreements (including interconnection agreements) in effect as of the closing date for one  
17 year following their stated expiration date. In addition, for interconnection and other  
18 inter-carrier agreements that have expired or are renewed only on a month-to-month basis  
19 as of the closing, FairPoint will extend the then-current rates and other terms in writing  
20 for one (1) year following the transaction closing. In addition, FairPoint will offer to  
21 CLECs all of those services they receive prior to closing from Verizon (whether offered  
22 under tariff or agreement), including the Wholesale Advantage (UNE-P replacement)

1 agreements. Some of the specific services that parties have asked about (such as line  
 2 sharing and certain dark fiber facilities) are not required to be offered in New Hampshire  
 3 at state-regulated rates, terms, or conditions, but FairPoint nevertheless intends to  
 4 continue providing them pursuant to applicable agreements in place at the time of  
 5 closing.

6 In addition, as noted above, FairPoint is committing to provide services Verizon provides  
 7 today, including those under the 14-point “competitive checklist.” As to tariffs and rates,  
 8 FairPoint agrees that it will not seek to increase its interstate or intrastate tariffed special  
 9 access rates for eighteen (18) months after the transaction closing, unless required by law.

10 Also, FairPoint will not withdraw any interstate or intrastate tariffed special access  
 11 service offering for 18 months after the transaction closing, unless required by law or  
 12 permitted by order of the FCC.

13 FairPoint also will fulfill all obligations of incumbent local exchange carriers under  
 14 Section 251(c) of the Communications Act, and commits that it will not try to assert the  
 15 “rural exemption” in the acquired markets. These very significant commitments, among  
 16 others FairPoint is making, ensure that CLECs will not be harmed by the transaction.

17 **Q.** In your initial testimony, you also provided an overview of FairPoint’s approach to  
 18 wholesale customers. Please describe what progress has been made implementing that  
 19 approach.

20 **A.** Since the transaction was announced, FairPoint’s senior management has been working  
 21 intensively on the systems to serve our wholesale customers, and have been meeting

1 directly with our wholesale customers to understand and where possible address their  
 2 concerns. The wholesale segment is the second largest revenue stream in the three states  
 3 and as such is very important to the future success of FairPoint. As Vice President  
 4 Business and Wholesale Service, Brian Lippold's objective is to grow the wholesale  
 5 business through high quality service, competitive prices and competitive service and  
 6 product offerings.

7 **Q.** Is FairPoint committing adequate financial and personnel resources to meet the needs of  
 8 its retail and wholesale customers?

9 **A.** Both investment and staffing are important to meet the needs of our wholesale and retail  
 10 customers. As our rebuttal testimony explains, we are devoting sufficient investment and  
 11 staffing resources to meet the needs of both groups of customers.

12 **Q.** Based on the evidence FairPoint is submitting, will FairPoint be financially sound, so that  
 13 it may achieve the benefits you describe?

14 **A.** As President, I am familiar with the company's financial condition and financial  
 15 analyses, although I am not directly responsible for preparing such analyses. From a  
 16 financial perspective, the rebuttal testimony confirms that the proposed transaction is  
 17 financially sound and in the public interest, as it will benefit the combined company's  
 18 customers and employees and the communities it serves. As Mr. Leach covers in detail,  
 19 FairPoint has modeled reasonable assumptions regarding cash operating expenses and  
 20 potentially conservative assumptions regarding per line revenues. Mr. King demonstrates  
 21 the reasonableness of FairPoint's financial projections, with critical underlying

1 assumptions supportable and within the range of the observed historical performance of  
2 the selected guideline companies. Mr. Balhoff and Mr. King report that the projected  
3 EBITDA (“earnings before interest, taxes, depreciation, and amortization”) margins fall  
4 well below the margins achieved by the guideline company group. Therefore, based  
5 upon that analysis, I believe it is reasonable to conclude that FairPoint can meet the  
6 projections, providing a sufficient “margin” to allow the company to weather unforeseen  
7 financial or operating pressures. FairPoint’s financial plan is balanced, sustainable and  
8 tailored to meet the needs of relevant constituencies.

9 In addition, the projections provide for capital investment on a per line basis that exceeds  
10 Verizon’s investment levels (excluding FiOS) in recent years. The capital budgets were  
11 developed on the basis of enhancing service quality, and, critically, accelerating and  
12 expanding the deployment of broadband. As Mr. Balhoff establishes, FairPoint is  
13 committing to significant investment in the region and FairPoint’s investment plans are  
14 robust and consistent with industry metrics and trends. Finally, Mr. Balhoff clearly  
15 explains that the equity holders bear the fundamental risk in the proposed transaction, and  
16 that the Labor Intervenors’ witness is wrong in suggesting that the risk is borne  
17 disproportionately by customers, employees and the citizens of New Hampshire.

### 18 **Governance, Management and Transition**

19 **Q.** Staff witness Antonuk made several recommendations concerning Board of Directors  
20 composition and governance, including that board candidates be identified and their  
21 qualifications described (21); that the Board include two members with strong ties to

1 New Hampshire (21); that a state advisory committee be created (22); that a finance  
 2 committee be created (22); that the Executive Committee's powers be limited to certified  
 3 emergencies and that any dividends be declared only at the full board level (23). Do you  
 4 agree with these recommendations?

5 **Q.** As a publicly traded business corporation, our corporate governance structure has been  
 6 established to meet our fiduciary duties to our shareholders. FairPoint has a Corporate  
 7 Governance Committee of the Board charged with reviewing that structure to ensure that  
 8 FairPoint continues to meet our responsibilities in this regard.

9 Candidates for the Board will be selected on the basis of the skills that they bring to the  
 10 task of being entrusted with the management of the corporation. That said, I believe  
 11 FairPoint has addressed certain of the considerations raised in Mr. Antonuk's testimony.

12 First, Ms. Jane E. (Bonnie) Newman has joined the Board of Directors of FairPoint. In  
 13 addition, Ms. Newman will be nominated by Verizon as one of its choices to the post-  
 14 closing FairPoint Board of Directors. Ms. Newman has a long history of service within  
 15 the State of New Hampshire, most recently as Interim President of the University of New  
 16 Hampshire. She certainly has "strong ties" to New Hampshire.

17 FairPoint will also establish an advisory board of representatives from the three states  
 18 reporting to the President. This advisory board will provide me with input on the needs  
 19 of the region. We believe that it will be more efficient and effective to have one advisory  
 20 board for the three states.

1 We will take under advisement the question of whether to establish a separate Finance  
2 Committee of the Board. Thus far, FairPoint has treated finance as an issue to be  
3 addressed by the entire Board, but we will consider whether a Finance Committee would  
4 be beneficial and what the specific charter of such a committee would be.

5 With respect to the concerns regarding an Executive Committee, I first note that even  
6 though the FairPoint By-laws authorize such a committee, FairPoint does not have one at  
7 the present time and has not determined whether one should be established in the future.  
8 The By-law provision provides the flexibility for such a committee in the event that the  
9 Board determines that one is needed. We believe that such a decision should be made by  
10 the Board, which has the fiduciary responsibility to shareholders, not by regulatory  
11 condition.

12 **Q.** Office of Consumer Advocate witness Brevitz observes that the transaction involves the  
13 acquisition of new assets that will require new management and new systems. Do you  
14 agree?

15 **A.** This is an obvious statement. I agree with the statement, but not the conclusions Mr.  
16 Brevitz seems to draw from it. Indeed, FairPoint has focused heavily on assembling a  
17 high quality management team appropriate to accomplishing our goals, and on  
18 implementing the management, operational and other systems that will make the  
19 transition as smooth as possible and the result successful for the company and for our  
20 customers. Therefore, I disagree with any insinuation Mr. Brevitz or others may make  
21 that this results in serious risks. I address this in further detail below.

1 **Q.** Staff witness Antonuk said that FairPoint should demonstrate that key positions will be  
 2 filled by experienced people and processes before the transaction is approved (Antonuk  
 3 25-6). Please describe the organizational structure for New Hampshire, Maine, and  
 4 Vermont and progress in filling key positions.

5 **A.** As I described in my initial testimony, FairPoint's guiding principle is to create an  
 6 organization that is customer-facing with senior-level decision makers located within the  
 7 three states. FairPoint conducted a comprehensive search to locate very-high-quality  
 8 individuals to help us meet those needs. To that end, my direct reports now and  
 9 following the transaction closing will include:

- 10 • Brian Lippold – Vice President Business & Wholesale Services; Exhibit PGN-2 is  
 11 Mr. Lippold's resume.
- 12 • Steven Rush – Vice President Consumer & Small Business, Sales & Service;  
 13 Exhibit PGN-3 is Mr. Rush's resume.
- 14 • Ralph Wasner – Vice President Information Services/Information Technology;  
 15 Exhibit PGN-4 is Mr. Wasner's resume.
- 16 • Gracie Coleman – Vice President Human Resources; Exhibit PGN-5 is Ms.  
 17 Coleman's resume.
- 18 • Jane Valik – Vice President Operations Support Services; Exhibit PGN-6 is Ms.  
 19 Valik's Resume. Several positions to be filled including:
  - 20 ○ Vice President Operations & Engineering,
  - 21 ○ Vice President Regulatory & Governmental Affairs,
  - 22 ○ Vice President Marketing & Product Management,



- 1           ○ Vice President Community and Economic Development and
- 2           ○ Vice President Labor Relations

3           With the exception of the Vice President Human Resources and Vice President of  
 4           Operations Support Services, all of these positions will be located in New Hampshire,  
 5           Maine, or Vermont. I am providing as Exhibits PGN-2 through PGN-6 resumes for the  
 6           senior personnel FairPoint has hired to-date. As you will see, they constitute an  
 7           impressive group of individuals, who will make significant contributions to FairPoint, to  
 8           the states of New Hampshire, Maine and Vermont and to their communities.

9           In addition, other senior FairPoint professionals are and will continue to provide critical  
 10          leadership and support for the three states. These include Janet Brack, John Smee,  
 11          Michael Haga, Michael Harrington, and Michael Brown. FairPoint will also benefit from  
 12          a number of senior Verizon employees who will continue with FairPoint at closing.

13       **Q.** Please describe the management structure for the New Hampshire, Maine and Vermont  
 14          operations and the status of the development of that structure.

15       **A.** Exhibit PGN 7, labeled “FairPoint Leadership Team,” is the most current Management  
 16          Organization Chart. Page 1 of the chart shows FairPoint’s executive leadership team.  
 17          Page 2 documents the executives who report to me. Each of the remaining pages of the  
 18          exhibit documents those employment positions that will report to the senior leadership  
 19          team (which reports to me).

20       **Q.** How will the New Hampshire, Maine and Vermont operations relate to FairPoint’s  
 21          current operating entities?

1 **A.** The two subsidiaries to be owned by the entity currently referred to as “Spinco” and the  
 2 existing FairPoint companies will be subsidiaries of FairPoint. FairPoint will be the  
 3 overall parent entity or holding company of the telephone companies.

4 **Q.** How will decisions be made about investment, operations, policy, human resources and  
 5 other key matters for the New Hampshire, Maine and Vermont operations?

6 **A.** The regional team will be accountable for the operational performance, financial results  
 7 and customer satisfaction within Northern New England and, as such, will be given the  
 8 appropriate levels of authority to meet their commitments. To the extent possible,  
 9 decisions will be made locally, taking into consideration the needs of customers,  
 10 employees, and the New Hampshire, Maine and Vermont operations. Customers and  
 11 regulators in the State of New Hampshire, as well as in the States of Maine and Vermont,  
 12 will be able to interact directly with our regional executive team.

13 FairPoint recognizes that in a competitive environment, customers will decide to remain  
 14 with FairPoint or switch to an alternate carrier based on the value of the services that  
 15 FairPoint provides: price, quality of service, timeliness of installation and repair, and  
 16 services that meet their needs (e.g., broadband). This is the rationale behind the concept  
 17 and implementation of a customer-facing organization. Our vice presidents for  
 18 wholesale, business and consumer markets will be accountable for those customer  
 19 relationships in terms of service quality, revenues and direct expenses for that line of  
 20 business across all three states. Within FairPoint, those individuals will have meaningful  
 21 budgetary authority and profit and loss (P&L) accountability. Each of those individuals  
 22 will live in one of the three states of New Hampshire, Maine or Vermont.

1 For example, Steven Rush, Vice President Consumer & Small Business, Sales & Service,  
 2 will be responsible for inbound customer service, outbound telemarketing, operator  
 3 services, and directory assistance. Mr. Rush is accountable for the entire consumer and  
 4 small business relationship. In many organizations, these functions exist in separate  
 5 “silos,” even though such functions jointly affect the customer experience. Similarly,  
 6 Brian Lippold, Vice President Business & Wholesale Services, will be responsible for the  
 7 inbound, outbound, and alternate sales channels supporting the medium and large  
 8 business and entire wholesale segments. Traditionally the organizational approach has  
 9 been to have all of the inbound call centers report to one senior-level director or vice  
 10 president, outbound to another, and operator and directory assistance to another, all of  
 11 which, in my opinion, tends to diffuse the accountability to the customer.

12 **Q.** Please describe the process for Verizon employees in New Hampshire, Maine and  
 13 Vermont to continue their employment at the close of the transaction.

14 **A.** Based on analysis of the information we received from Verizon in August 2007,  
 15 approximately 2,700 to 2,800 Verizon employees will continue their employment after  
 16 the close. These employees include managers, regulatory staff, installation and repair  
 17 technicians, central office technicians, splice-service technicians, engineers, customer  
 18 sales and service representatives and others. FairPoint tracks the status of Verizon  
 19 employees via an employee identification number (not by name), job classification and  
 20 associated years of service, on a monthly basis. FairPoint is able to track any significant  
 21 variance in employees by work function and/or years of service. FairPoint recognizes the  
 22 value of the Verizon’s skilled workforce and hopes to work closely with the unions in the

1 months ahead. It is important to note that Verizon remains contractually obligated to run  
 2 the business in the “normal course” and as such must staff the New Hampshire, Maine  
 3 and Vermont operations accordingly.

4 **Q.** OCA witness Baldwin suggests FairPoint should develop a comprehensive plan to  
 5 encourage current Verizon employees to continue with FairPoint (55). Please describe  
 6 FairPoint’s general approach to existing Verizon employees, and specifically discuss  
 7 opportunities for training and advancement.

8 **A.** At the inception of this transaction, FairPoint recognized the value of Verizon’s current  
 9 employees to the success of the operations and began planning for their retention and  
 10 incorporation into FairPoint. I will return to this subject when I discuss human resources.  
 11 FairPoint considers career advancement and training to be an important component of the  
 12 transition process. There are three primary components to the upcoming career  
 13 advancement and training for the Verizon employees transitioning to FairPoint:

14 1. Opportunities for promotion and career advancement. With the move to place  
 15 senior leaders “in market,” there will be promotion and career advancement  
 16 opportunities for current Verizon employees. This will enable FairPoint to  
 17 recognize leaders within the current Verizon organization and retain critical  
 18 “institutional knowledge.”

19 2. Technical training. Between closing and cutover, FairPoint will train current  
 20 Verizon employees on the new FairPoint system architecture and processes. To  
 21 accomplish this task, FairPoint is reviewing several options including plans to

1 increase staff levels with temporary employees during the transition to  
 2 accommodate training needs and allow the transitioning Verizon employees to  
 3 focus on training while continuing to meet service commitments to our customers.

4 3. "Employee engagement." FairPoint will have a process to identify employees'  
 5 level of engagement with the company and the transition through employee  
 6 surveys. One of the objectives is to repeat this process on a regular basis in order  
 7 to track trends. We are developing a training plan now to address this transition.  
 8 It will include employee surveys to track job satisfaction. Exhibit PGN-8,  
 9 Employee Survey, is the current outline of the survey process and timeline.

10 **Q.** You have already described a number of the recently-hired senior management personnel.  
 11 Have you engaged Verizon in discussion of other key personnel needs?

12 **A.** Yes. I have described our orderly process and our success in hiring high-quality people  
 13 who are excited about the opportunity to continue to serve the customers in New  
 14 Hampshire, New Hampshire and Vermont. The FairPoint functional leads, including  
 15 several new key hires, are in continual discussion with Verizon, making and refining  
 16 detailed plans to identify positions that FairPoint must fill in order to supplement  
 17 Verizon's workforce and meet the needs of the business and customers. Based on this  
 18 sharing of information, we are determining appropriate hiring intervals for various levels  
 19 of employment positions. For example, FairPoint has filled some of the senior positions  
 20 more quickly to assist in system evaluation and vendor selection, help develop policies  
 21 and procedures, design their organization, and develop business integration plans so that  
 22 the business can run smoothly following closing and cutover. Front-line positions will be

1 filled prior to when they are actually required (closing or cutover) to provide for the  
2 appropriate training interval.

3 **Q.** What are the additional key employment positions FairPoint has filled?

4 **A.** FairPoint has recently filled the following positions:

5 • Business and Wholesale organization

6 • Michelle Hymson - Assistant Vice President Wholesale Services

7 • Jeff McCarthy – Assistant Vice President – Business Sales

8 • Jeff Allen – Assistant Vice President – Customer Operations

9 • Ralph Thompson – Director Business Operations

10 • James Quinn, Sales Director ITC/Wireless/Cable

11 • Richard Murtha, Director Customer Operations – Wholesale

12 • Timothy Burns, Director Customer Operations – Business

13 • Alvin Barry, Senior Account Manager – Wholesale

14 • Consumer and Small Business Sales & Service

15 • Pete Petala – Director, Small Business Inbound Call Center

16 • Paula Armstrong – Director, Consumer Inbound Call Center

17 • Caruso, Lawrence, Sr. Mgr, Outbound Telemarketing

18 • Pam Joy – Manager, Operator Services and Directory Assistance

19 • Marketing

20 • Rick Preti – Director, Product Development & Life Cycle Management

21 • Bill Meehan – Senior Product Manager

- 1           • Mark Hurley – Product Manager
  
- 2           • Operations organization
  
- 3           • Ralph Thomas – Director, Supply Chain
  
- 4           • Vicky Weatherwax – Senior Manager, Network Engineering
  
- 5           • Bernie Hagan – Manager, Facilities
  
- 6           • Donald Romano – Manager, Network Operations Center
  
- 7           • Gilbert Lamarre – Manager Provisioning
  
- 8           • Brian Astle, Manager Repair Resolution Center
  
- 9           • IS/IT organization
  
- 10          • Ken Poulin – Director, IT Ops and Systems
  
- 11          • Richard Finkelson – Director, IT Development
  
- 12          • Bill Davis – Director, IT Network
  
- 13          • Ash Khamas – Sr. Network Administrator
  
- 14          • Justin McAlister – Sr. Microsoft Systems Administrator
  
- 15          • Finance and Accounting organization
  
- 16          • Pat Hogan – Sr. VP & Corporate Controller
  
- 17          • Raya Sevilla – Director, Accounting
  
- 18          • Kevin Stewart – Director, Credit and Collections
  
- 19          • Jorge DeJesus – Sr. Manager Financial Planning and Analysis
  
- 20          • Timothy Rickets – Manager, Treasury
  
- 21          • Regulatory organization
  
- 22          • Mike Skrivan – Sr. Director, Regulatory Affairs

1 **Q.** What positions is FairPoint in the process of filling?

2 **A.** At the outset, FairPoint has focused on filling senior leadership positions within New  
3 Hampshire, Maine and Vermont operations, as well as those employment positions that  
4 are necessary to develop and start up the new data center. Several positions to be filled  
5 include: Vice President Operations & Engineering, Vice President Regulatory &  
6 Governmental Affairs, Vice President Marketing & Product Management, Vice  
7 President, Labor Relations, and Vice President Community & Economic Development.  
8 FairPoint is actively recruiting for these positions.

9 **Q.** Will FairPoint agree to keep the Commission and Staff advised with respect to its  
10 progress in terms of employee retention?

11 **A.** Yes. In fact, FairPoint is providing updates, through supplemental responses to data  
12 requests as well as through this testimony. FairPoint will provide a complete report at the  
13 time of closing, six months after closing, and one year after closing.

14 **Q.** In your previous testimony you described the creation of three new support centers to be  
15 located in Northern New England. Please describe your progress in implementing that  
16 plan.

17 **A.** FairPoint's senior leadership team continues to work closely with the state economic  
18 development agencies to determine the labor pools that can support these functions and  
19 with Verizon to determine where there may be available owned space in which to locate  
20 the positions. Based upon the information gathered we have decided to locate the  
21 majority of the new employees as follows:



- 1           • Portland, Maine
- 2           • Bangor, Maine
- 3           • Manchester, New Hampshire
- 4           • Littleton, New Hampshire
- 5           • Burlington, Vermont

6   **Q.**    You also announced the creation of 675 new positions in New Hampshire, Maine or  
7           Vermont. Please provide an update concerning those positions, including their nature,  
8           location, and when they are likely to be filled.

9   **A.**    In order to replace those functions that are currently being performed by Verizon outside  
10           of Northern New England, improve service quality, and increase our focus on the  
11           residential and business customers, FairPoint will fill over 675 positions in Northern New  
12           England. FairPoint will fill at least 250 additional positions in New Hampshire alone,  
13           primarily in the Manchester and Littleton areas. The positions in New Hampshire will  
14           include the functions required in the data center, network operations center, accounting,  
15           marketing, collections, and other support functions. FairPoint will also have other  
16           positions located in New Hampshire including service technicians, business sales and  
17           field marketing.

18   **Q.**    What is the process for implementing the transition?

19   **A.**    There are two fundamental work streams associated with this project:

- 20           • System implementation, testing and deployment, and

- 1           • Business operations and organization preparation.

2           Since January 2007, we have been focused on development of FairPoint’s Cutover Task  
 3           List, coordinated with Verizon’s Cutover Plan, system and specifications design and  
 4           business readiness. The Cutover Task List and the Cutover Plan are discussed in detail  
 5           within the rebuttal panel testimony of Mr. Michael Haga and Mr. Arthur Kurtze on behalf  
 6           of FairPoint and Mr. Stephen Smith on behalf of Verizon. Once the companies  
 7           exchanged the preliminary draft of these documents in mid April-2007, the parties  
 8           assigned subject matter experts to meet on a regular basis to share the information and  
 9           knowledge necessary to transition the business. These business integration discussions  
 10          are focused on making sure systems work across all functions, not just within the  
 11          particular system; that is, from the moment a customer calls or goes on-line to place an  
 12          order all the way through to order fulfillment, billing, receipt of the payment and proper  
 13          General Ledger accounting. Development of the organizational needs is nearing  
 14          completion as are staffing requirements and Key Performances Indices (KPIs).

15   Q.    Please provide more information concerning the anticipated timeline of the development  
 16          of the New Hampshire, Maine and Vermont operations.

17   A.    Exhibit PGN-9, labeled “Business Integration– Operations: Design, Build & Launch”  
 18          (Business Integration Plan), contains the current timeline. The hiring plan details the  
 19          positions to be filled between now and cutover. FairPoint is on plan.

20   Q.    You have described the regional focus for New Hampshire, Maine and Vermont. Will  
 21          there be key personnel located in New Hampshire specifically?

1 A. Yes. Regulators and customers all can expect the Vice Presidents I have already  
2 described to be readily available within the region. In addition, there will be New  
3 Hampshire-based employees responsible for state regulatory affairs, field marketing,  
4 customer service, business account executives, and a New Hampshire-based sales force.

5 Q. Will FairPoint's management plan for operational management include quantifiable  
6 measurement tools (metrics) to allow management to monitor service levels and to make  
7 adjustments as necessary?

8 A. Yes. In addition to any service quality objectives mandated by the Commission,  
9 FairPoint will establish KPIs by functional area of responsibility. Those KPIs are being  
10 developed now so that they can be incorporated into the new FairPoint system and  
11 process designs. These KPIs will focus on areas such as

- 12 • improving customer satisfaction
  - 13 ○ Troubles not cleared within 24 hours
  - 14 ○ Mean time to repair
  - 15 ○ Installation trouble Report
  - 16 ○ Repeat trouble rate
  - 17 ○ Due date performance
  - 18 ○ Speed of answer in call centers (customer service, repair, operator and  
19 directory assistance)
  - 20 ○ Abandon rate in call centers
  - 21 ○ Responses to customer surveys

- 1           • Broadband availability
- 2           • Broadband penetration
- 3           • Number of double poles
- 4           • Average response time to emergency-pole replacement requests due to
- 5           accidents
- 6           • Wholesale performance
  - 7               • Pre-order Intervals
  - 8               • Order Intervals
  - 9               • Repair Intervals
  - 10              • Billing accuracy
  - 11              • Days-Sales-Outstanding (A/R)

12 **Q.** Will FairPoint's management team include executives experienced in labor relations and  
13 capable of implementing service improvement programs within the constraints of the  
14 existing collective bargaining agreements?

15 **A.** Yes. My direct reports responsible for the functions in which there are predominantly  
16 union-represented employees are all experienced in large-company union/labor relations.  
17 John Smee, Director of Operations (formerly with NYNEX); Steven Rush, Vice  
18 President Consumer & Small Business, Sales & Service (formerly with AT&T); and  
19 Gracie Coleman, Vice President Human Resources (also from AT&T) have significant  
20 experience with unionized labor relations. In addition, we are hiring a Vice President,  
21 Labor Relations who will have extensive experience in labor relations in a large  
22 workforce.

1 **Q.** How is your management team approaching development of a staffing plan to perform  
2 the various functions within their respective areas of responsibility?

3 **A.** The senior team members are working closely with their Verizon counterparts to  
4 thoroughly understand the functions and staffing levels required within their areas of  
5 responsibility and are developing the staffing plans accordingly. That Staffing Plan is part  
6 of the Business Integration Plan identified as Exhibit PGN-9, labeled “Business  
7 Integration – Operations: Design, Build & Launch.”

8 **Q.** How will quality assurance be accomplished by the management team?

9 **A.** Concerning the Verizon-FairPoint cutover, Mr. Smith describes in his rebuttal testimony  
10 the quality assurance-related functions of the Cutover Planning Committee. Going  
11 forward, quality assurance is an important responsibility within each functional area of  
12 operation that I have described, with reports flowing up to me and responsibility  
13 ultimately residing with me. Each of my direct reports throughout the organization will  
14 have specific performance, quality-of-service goals and objectives. These goals and  
15 objectives for my direct reports will be established prior to closing. A Staff Support  
16 organization is being established, reporting to me, whose functions will include tracking  
17 and reporting on operational and customer satisfaction metrics.

18 **Q.** Is FairPoint assembling transition management capable of managing through the  
19 Transition Services Agreement (TSA) period with Verizon and implementation of the  
20 new Capgemini-designed platform?

1 **A.** Yes. As I previously described, FairPoint hired a number of its New Hampshire, Maine  
 2 and Vermont-based executives early in this process in order to help design the  
 3 organization and processes, thereby enabling FairPoint to “run the business” during and  
 4 after the TSA period. In addition, FairPoint’s contract with Capgemini requires  
 5 Capgemini to provide the staff necessary to assist during the cutover and transition  
 6 process.

7 **Q.** In the event the new management team requires any additional external support during  
 8 and after the transition, what arrangements has FairPoint made?

9 **A.** While we do not expect any gaps, FairPoint has retained Capgemini to provide  
 10 comprehensive and detailed assistance both through and after the cutover. Capgemini  
 11 will provide the necessary assistance through the final release, currently scheduled for six  
 12 months following cutover. This will provide more than ample support while FairPoint  
 13 staffs to meet these needs. Within FairPoint, our three transition leads, Michael Haga,  
 14 Michael Brown, and Janet Brack (Vice President, Nor’easter Transition Project  
 15 Management), are responsible for the management of the Capgemini relationship.

16 **Q.** Has FairPoint taken adequate steps to mitigate the risks related to the transaction?

17 **A.** Yes. As described by our rebuttal witnesses, FairPoint has taken an intensive and  
 18 extensive approach to standing up the new operation and ensuring the new operation  
 19 performs as intended. FairPoint has already built a seasoned senior leadership team and  
 20 is in the process of expanding the New Hampshire, Maine and Vermont management  
 21 further. FairPoint understands that a significant amount of the business remains subject

1 to regulation and that an effective regulatory program is essential. FairPoint's  
2 management also understands that a workforce that is fairly compensated and motivated  
3 is essential to successfully competing in today's economy.

4 **Q.** Will there be senior level FairPoint personnel with responsibility for communicating with  
5 the Commission and other key stakeholders?

6 **A.** Yes. FairPoint's Vice President of Regulatory and Governmental Affairs will reside in  
7 the region. In addition, there will be a senior staff person directly responsible for  
8 regulatory affairs resident in New Hampshire.

9 **Q.** How will FairPoint assure adequate staff to respond to a widespread emergency, like a  
10 natural disaster?

11 **A.** FairPoint will develop a Business Continuity Plan to address emergencies such as natural  
12 disasters. These plans will include arrangements with vendors, other FairPoint  
13 employees, employees of other telecommunication companies, the utility companies and  
14 contract firms (subject to the provisions of the Collective Bargaining Agreement). The  
15 plan includes activities that will be completed prior to close and prior to cutover.

16 **Human Resources**

17 **Q.** Several witnesses expressed concern about personnel matters, including the need for up-  
18 to-date information about the composition of the Verizon workforce and a plan  
19 concerning how FairPoint will attract and retain qualified employees (example, Baldwin

1 8, 48); How are you preparing for the transition from a human resources perspective,  
 2 including for current Verizon employees?

3 **A.** A smooth transition is important to our new employees and to our customers. As I will  
 4 describe in this section, we are focusing significant attention on this subject. FairPoint  
 5 recognizes the benefits of identifying, retaining and to the extent possible promoting  
 6 current Verizon employees into positions of leadership within FairPoint. FairPoint has  
 7 already interviewed and made offers for senior leadership positions to three current  
 8 Verizon employees, effective at close. These individuals are recognized as leaders within  
 9 Verizon's northern New England organization today. FairPoint subject matter experts are  
 10 regularly speaking with their Verizon counterparts, many of whom are coming to  
 11 FairPoint at the time of close. This regular communication provides the opportunity for  
 12 FairPoint to evaluate skills and gain insight into the various organizations. Based upon  
 13 these ongoing discussions FairPoint has identified other managerial and supervisory  
 14 positions that will be filled by current Verizon employees in the post-close company.

15 **Q.** Your prefiled direct testimony, at page 16, stated that, "experienced Verizon company  
 16 employees—both union and non-union—are the cornerstone of our plans going forward."  
 17 What steps have you taken to advance that vision?

18 **A.** As I explained, my direct reports responsible for the functions in which there are  
 19 predominantly union-represented employees are all experienced in large-company  
 20 union/labor relations. I have also described our efforts to support all employees through  
 21 and beyond the transition. FairPoint has initiated a leadership development program for



1 the leaders being hired prior to close and will have a program in place by close for the  
2 Verizon management employees who are transitioning to FairPoint at close.

3 **Q.** How will FairPoint work with union-represented employees to address quality of service  
4 and service?

5 **A.** We have found that regardless of whether employees are union represented or not,  
6 service level improvements generally fall into three main categories: (1) workforce  
7 management (i.e., job prioritization, overtime and related matters); (2) staffing  
8 augmentation; and (3) investment in the network. FairPoint will identify service levels  
9 that require improvement, perform root cause analysis, and develop a plan to respond as  
10 appropriate. That can be accomplished within the context of the current collective  
11 bargaining agreements. Based upon our current analysis, FairPoint believes that service  
12 quality, specifically the out-of-service-over-24 hours, can be improved with the addition  
13 of additional service technicians and has committed to doing so after closing. I also note  
14 this has been further described in the pre-filed rebuttal testimony of John Smee for  
15 additional description.

16 **Q.** Is FairPoint sufficiently familiar with current Verizon employment levels to determine  
17 whether FairPoint will be able to meet its service quality and broadband objectives?

18 **A.** Yes. FairPoint receives information from Verizon on a monthly basis concerning the  
19 Verizon employees who will transition to FairPoint. As such, FairPoint is able to monitor  
20 the number of employees by position. In addition, Verizon is obligated to run the  
21 business in the "ordinary course." FairPoint intends to meet its broadband commitments

1 within the terms and provisions of the various collective bargaining agreements, and  
 2 FairPoint has already indicated that it will increase the number of service technicians to  
 3 meet the service quality commitments. After closing, FairPoint will work with the unions  
 4 to ensure the necessary workforce is available to ensure that our plans can be  
 5 implemented as scheduled.

6 **Q.** The Staff's consultants and the Labor Intervenors have expressed concern with respect to  
 7 the number of employees who may retire or otherwise leave the employment of Verizon  
 8 due to the transfer of Verizon's Northern New England operations as contemplated by the  
 9 Joint Petition filed in this Docket. Do you share those concerns as President of  
 10 FairPoint?

11 **A.** Yes. As President of FairPoint and as the person responsible for the current Verizon  
 12 operations in New Hampshire, Maine and Vermont, I want to make sure Verizon  
 13 employees transfer to FairPoint in a sufficient number and with sufficient experience to  
 14 allow FairPoint to operate the business as projected. However, I note that the numbers do  
 15 not bear out the level of concern as raised by the Labor Intervenors. Verizon has  
 16 provided FairPoint with updated information current through June 30, 2007.

17 FairPoint understands the following:

- 18 • through January 1, 2008, 181 unionized employees are projected to be eligible  
 19 for retirement with full pension benefits;
- 20 • through January 1, 2008, 276 unionized employees are projected to be  
 21 eligible for retirement with reduced pension benefits;

- 1 • through January 1, 2008, 2,012 unionized employees are projected to be part
- 2 of the Verizon workforce ineligible for any early retirement benefits;
- 3 • as of July 31, 2007, only 25 employees eligible to retire in fact retired;
- 4 • as of July 31, 2007, 89 unionized employees (not counting the retirees noted
- 5 above) left the employment of Verizon in the Northern New England territory
- 6 and 48 unionized employees were hired into or transferred into the Northern
- 7 New England territory. Of the 89 employees who left Verizon's employment,
- 8 45 bid for jobs outside of the Northern New England territory. Of the 48
- 9 employees new to the Northern New England territory, 25 of them were
- 10 existing Verizon unionized employees who successfully bid for jobs. This
- 11 compares to only 15 such transfers into the 3 states during all of 2006.

12 **Q.** What do you conclude from this information?

13 **A.** I conclude that Verizon will be in a position to transfer a skilled workforce to FairPoint at  
 14 the merger closing, with the experience and skills necessary to allow FairPoint to operate  
 15 the properties at issue as projected. To prove this point, I note that Verizon has placed  
 16 the unions on notice that surplus jobs exist in New York, Massachusetts, Rhode Island  
 17 and the mid-Atlantic region. Yet no such notice has been issued in connection with the  
 18 States of Maine, New Hampshire and Vermont. This tells me that Verizon is retaining  
 19 employees for the Northern New England operations and that a "buffer" may exist in the  
 20 event the bulk of the retirement eligible employees in fact retire.

1 **Q.** How familiar is FairPoint with organized labor, based on the experience of its  
 2 management team, the experience of classic FairPoint, or current efforts to familiarize  
 3 itself with employee rights and concerns in Verizon's northern New England territory?

4 **A.** As I described earlier, my direct reports responsible for the functions in which there are  
 5 predominantly union-represented employees, including Human Resources, are all  
 6 experienced in large-company union/labor relations. In addition, FairPoint is in the  
 7 process of hiring a Vice President of Labor Relations who will be located in Northern  
 8 New England. FairPoint has engaged a labor relations attorney who resides and practices  
 9 in Northern New England.

10 I have personally been involved with labor relations and contract negotiations since 1978  
 11 in both the private and public sectors. FairPoint has employees who are represented by  
 12 the IBEW or CWA.

13 Before the transaction was announced, we began working hard to understand and address  
 14 likely employee and union concerns. We sincerely offered the hand of partnership and  
 15 continue to extend that offer. The first phone calls I made on the morning of the  
 16 announcement were to the three Governors and the employees' union representatives.  
 17 The day after the announcement, our CEO led a webcast for Verizon employees. We  
 18 have had multiple substantive meetings with union leaders and made other public  
 19 statements to respond to their concerns. As I stated, we intend to mirror Verizon's  
 20 benefit plans. The pension plan will be fully funded. We will honor current collective  
 21 bargaining agreements. We have met with union officials and offered to discuss an  
 22 extension of the current contract. I believe the meetings provided a forum for

1 continuation of constructive dialogue, even though the Labor Intervenors continue to  
 2 oppose the transaction. We have announced plans to expand broadband (which will likely  
 3 require additional employees), to improve service quality (which may require more  
 4 employees), to address the needs of local communities (which may require more  
 5 employees), and to add over 675 new positions, a number of which of which are  
 6 considered bargained for positions.

7 **Q.** What steps is FairPoint taking to ensure a smooth transition for Verizon employees, who  
 8 are accustomed to Verizon's procedures, into FairPoint's operational processes?

9 **A.** Provision of good and timely information and training to current Verizon employees who  
 10 will be joining FairPoint will be critical to our success. In order to have a successful  
 11 conversion we will complete system training after closing and prior to cutover with  
 12 follow up refresher training following cutover. Training on the new FairPoint systems  
 13 and procedures will take place prior to the conversion to those systems, most of which are  
 14 currently scheduled to take place within five months of closing. Capgemini is developing  
 15 the training for the newly developed systems. More importantly, we are replicating the  
 16 look and feel of as many of the Verizon systems as we can in our own systems.

17 **Retail And Wholesale Service**

18 **Q.** Please provide an overview of FairPoint's plans to upgrade service in New Hampshire,  
 19 Maine and Vermont.

1 A. As I stated in my initial testimony, broadband is core to our plan for serving Northern  
 2 New England. We plan a significant expansion of broadband within eighteen to twenty-  
 3 four months of closing. This includes not only pushing out broadband to many more  
 4 customers, but also significant investment in the backbone network. The rebuttal witness  
 5 panel comprised of Mssrs. Brown, Harrington and Smee has provided more detailed pre-  
 6 filed rebuttal testimony with respect to these issues. In addition, Dr. Douglas Sicker has  
 7 reviewed our plan and is submitting rebuttal testimony setting forth his analysis.

8 Q. I wish to make clear that our focus on broadband is not to the detriment of improving  
 9 service quality for all of our customers. FairPoint will improve upon many quality of  
 10 service metrics by focusing on the customer service goals, managing productivity, adding  
 11 additional service technicians and where necessary utilizing additional overtime. Mr.  
 12 Smee explains in greater detail the nature of FairPoint's proposed quality of service plan.

13 Q. OCA witness Brevitz expressed concern that FairPoint must employ adequate resources  
 14 to meet the Commission's quality of service standards. Please comment.

15 A. FairPoint agrees that it must deploy adequate resources. These will include current  
 16 Verizon and FairPoint employees, as well as the new employees we will be hiring. The  
 17 resources also include targeted capital expenditures to upgrade or rehabilitate the  
 18 infrastructure.

19 Specifically, FairPoint has already determined that it will hire additional Installation and  
 20 Maintenance Technicians (I&M) in New Hampshire. Additional I&M technicians will be  
 21 hired in the other two states as appropriate. New commercial vehicles will be purchased

1 as well, although we have not finally resolved the number of vehicles to be acquired. We  
2 have the ability to manage the work forces across all three states to improve the quality of  
3 the plant, thus reducing trouble reports, and to more rapidly attend to troubles after they  
4 are reported.

5 **Q.** Dr. Kenneth Peres opines that “the most direct way to improve service quality is to  
6 allocate more capital and labor resources directly to service quality. Improvements in  
7 systems efficiency are not the answer.” (Peres 28) Do you agree that it is important to  
8 allocate capital and resources to service quality?

9 **A.** In general, yes. Systems efficiencies can play a role in quality of service in my opinion.  
10 In addition to efficient systems and operating procedures, and effective workforce  
11 management, allocating capital and other resources - including labor resources - is  
12 important to service quality. We will be investing capital, and are making a significant  
13 commitment to retaining employees and hiring and training new employees. These are  
14 among several factors to consider when running a business as complex as the operations  
15 in northern New England. As I have already described, we are committed to delivering  
16 high quality service.

17 **Q.** Do you believe other factors are important as well?

18 **A.** Yes. I believe in and practice functional accountability and resource allocation, as  
19 suggested in the organizational approach I have already described. Root cause analysis is  
20 a critical tool to target resource allocation, as was noted by Staff witness Antonuk (15).  
21 Adding resources and spending money absent a plan or strategy for the expenditure of

1 time, money and effort leads to wasted resources and opportunities. Instead, a focused  
 2 assessment of the best and highest use of resources is critical to maximize the benefits to  
 3 Vermont, New Hampshire and Maine customers and the community. Most importantly,  
 4 FairPoint fosters a culture of high quality service.

5 **Q.** Is FairPoint in fact allocating capital and resources to service quality?

6 **A.** Yes. Please refer to the testimony, referenced earlier, provided by the panel of Messrs.  
 7 Brown/Harrington/Smee. This testimony addresses, among other issues, the state of  
 8 Verizon's network in New Hampshire and the results of FairPoint's inspection of certain  
 9 network infrastructure.

10 **Q.** Labor witness Peres recommends imposing a series of conditions related to service  
 11 quality, including extending the term of an SQI to five years after a successful cutover,  
 12 adopting a duration of outages standard, adopting a new penalty/rebate structure,  
 13 requiring a comprehensive service quality audit for failing to meet any metric for more  
 14 than three consecutive years, and maintaining Verizon's existing SQI metrics. (Peres 36-  
 15 43.) OCA witness Baldwin suggests a detailed time table, budget and sanctions to ensure  
 16 that service quality standards are met or exceeded, and that service quality is raised in  
 17 those communities where it is sub-par at present. (Baldwin e.g. 12-13, 59, 88, 95-96.)  
 18 Falcone and King recommend required a detailed service quality improvement plan post-  
 19 closing, an independent audit of service quality post-closing, and a commitment to bring  
 20 service quality to commission-imposed standards nine months after close. (Falcone/King  
 21 122) Please describe generally FairPoint's approach to service quality.



1     **A.**     I will provide a general answer concerning FairPoint’s approach to service quality. Other  
 2     FairPoint witnesses will provide more detail about our plans to improve quality, and Mr.  
 3     Smee’s prefiled rebuttal testimony explains the approach to service quality in more detail.  
 4     Although the marketplace creates sufficient incentive for FairPoint to provide service that  
 5     meets or exceeds the customers’ expectations, FairPoint specifically agrees to be bound  
 6     by the standards that currently apply to Verizon. Additional metrics and penalties would  
 7     be excessive and inappropriate. Due to the need for FairPoint to focus on running the  
 8     business while training employees on the new systems during the TSA period, hiring and  
 9     training additional personnel, rehabilitating the outside plant as outlined more specifically  
 10    by Mr. Smee and initiating and completing construction projects that may be required,  
 11    FairPoint will agree to meet and then adhere to the standards effective twenty-four (24)  
 12    months following cutover. The service quality improvement plan as outlined by Mr.  
 13    Smee indicates that the majority of the out-of-service over 24 hour trouble reports are  
 14    found in small wire centers can be addressed by the addition of personnel, pro-active plan  
 15    maintenance during the first and fourth quarters of each year, and targeted rehabilitation  
 16    construction. FairPoint is appropriately focused on the acquisition, implementing state-  
 17    of-the-art systems, and organizational readiness which will allow it to increase customer  
 18    responsiveness over current levels, and on finalizing its infrastructure plan.

19    **Q.**     A number of other conditions have been proposed concerning retail service. Does  
 20    FairPoint agree to continue basic, barebones local service at least until such time as the  
 21    Commission determines it is no longer required, and also to explain and publicize this  
 22    service (Baldwin 14, 15, 134)?

- 1   **A.**    Yes, FairPoint intends to offer those products and service Verizon offers at the time of  
2           close. If these services are offered by Verizon at close, FairPoint will continue this  
3           service and agrees that it should be explained and publicized. FairPoint has no plans to  
4           modify or terminate this service.
- 5   **Q.**    Does FairPoint agree not to seek an increase in basic local exchange rates for at least  
6           three years (Schmitt 6) or to cap basic local exchange rates, and to do so for at least five  
7           years (Baldwin 15, 145)?
- 8   **A.**    FairPoint has no plans to increase basic local rates and agrees to not to seek an increase in  
9           basic rates for one year.
- 10 **Q.**    Does FairPoint agree to participate in efforts to increase Lifeline participation (Baldwin  
11           15 and 145, Schmitt 6)?
- 12 **A.**    Yes. FairPoint is committed to such efforts, which are very much part of the approach to  
13           serving our customers and communities that I have described.
- 14 **Q.**    Does FairPoint agree to make soft dial tone available to its customers (Schmitt 5)?
- 15 **A.**    While FairPoint is assessing the implications of and the practicality of offering this  
16           service, it cannot commit to doing so at this time.
- 17 **Q.**    Does FairPoint intend to keep as many payphones in service as possible, especially in  
18           rural areas (Schmitt 6)?

1   **A.**   FairPoint understands this is a sensitive issue and prior, unrelated proceedings consumed  
2           a significant amount of effort and time at the Commission with respect to the removal of  
3           a public interest payphone in the Town of Acworth, New Hampshire. FairPoint hopes  
4           and expects to avoid a similar situation. At this time, FairPoint has no plans to remove  
5           any payphones in the State of New Hampshire.

6   **Q.**   Does FairPoint agree that its marketing scripts and customer education for bundled  
7           packages, discretionary features, and inside wiring maintenance should be subject to  
8           Commission review and approval (Baldwin 15)?

9   **A.**   No. The company must be able to make timely decisions and manage its own marketing  
10          information. Such a condition is overbroad in my opinion and not an efficient use of the  
11          Commission's time and effort, nor the Staff's time and effort.

12   **Q.**   Does FairPoint agree to remain under rate of return regulation for five years (Schmitt 3)?

13   **A.**   No. FairPoint will adopt the current structure at the time of close and has agreed not to  
14          raise rates or change structure for 1 year following close.

15   **Q.**   Does FairPoint agree to continue providing the low use measured residence service  
16          option that Verizon now provides.

17   **A.**   FairPoint would agree to continue to provide the low use measured residence service  
18          option that Verizon provides as of the closing.

19   **Q.**   In addition to concerns about broadband deployment, as addressed in the testimony of  
20          FairPoint witnesses Brown and Sicker, several witnesses raised policy questions

1 concerning broadband or DSL. Is FairPoint prepared to offer affordable retail DSL rates,  
2 specifically rates that are closely aligned with the incremental cost of adding DSL  
3 capability (Baldwin 13, 129)?

4 **A.** FairPoint has committed to adopting Verizon's competitive rates at the time of close.

5 **Q.** Will FairPoint provide comprehensive, clear and frequent customer education (and  
6 customer service representative education) about deployment, pricing, rates, terms,  
7 conditions and availability of unbundled DSL (Baldwin 14, 130)?

8 **A.** FairPoint will inform both customers and customer service representatives of the  
9 availability, price and terms for unbundled DSL as part of its general consumer education  
10 and service representative training programs.

11 **Q.** Will FairPoint make funds available to deploy alternative technology to serve  
12 underserved or un-served regions (Baldwin 14, 130)?

13 **A.** FairPoint currently deploys several broadband technologies to meet the needs of its  
14 customers and intends to take that same approach in Northern New England.

15 **Q.** Will FairPoint agree not to oppose municipal wireless broadband initiatives (Baldwin 14,  
16 130)?

17 **A.** FairPoint is keenly interested in working with communities to meet their broadband needs  
18 and believes it will be best-positioned as their broadband service provider and partner. At  
19 this point in time, however, I note that this proposed condition (or proposal) has not been  
20 advanced by the municipalities which have intervened in this Docket. I believe a

1 condition imposing a blanket prevention against FairPoint from opposing competing  
2 services is not warranted and not in the best interests of FairPoint.

3 **Q.** Will FairPoint commit to following through on plans to introduce video in Portsmouth, as  
4 requested on behalf of the Portsmouth Cable Commission (Gregg 2)?

5 **A.** FairPoint expects video to be an important part of its service offering, and has some  
6 experience with video in its Classic FairPoint service territories. FairPoint does not have a  
7 specific plan or dates by which it would initiate video service offerings in Northern New  
8 England.

9 **Q.** Will FairPoint make broadband deployment data public and regularly provide it to the  
10 Governor's office, the Commission, the Telecommunications Advisory Board and the  
11 OCA (Baldwin 14, 130).

12 **A.** FairPoint does not understand the nature of the condition or what information needs to be  
13 made public - other than the status of whether FairPoint meets its stated broadband  
14 deployment goals. While FairPoint is eager to partner with New Hampshire in providing  
15 critical broadband infrastructure for state, regional, and local community and economic  
16 development efforts, FairPoint can not risk confidential, trade secret information being  
17 released publicly. It appears Ms. Baldwin desires FairPoint to release information that  
18 competitors can use to immediately respond and "beat" FairPoint to certain markets.

**Conclusion**

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**Q.** Will the Commission’s approval of the transaction and the approval of the transfer of control of Verizon’s New Hampshire, Maine and Vermont operations to FairPoint benefit the public interest in the State of New Hampshire?

**A.** Yes. FairPoint has demonstrated that the Commission’s approval of this transaction and the transfer of control of Verizon’s New Hampshire, Maine and Vermont operations will benefit the residents of New Hampshire, as well as the residents of Maine and Vermont. FairPoint has demonstrated a commitment to serving the New Hampshire, Maine and Vermont communities through an in-region workforce (including senior management) whose members will live and work in this region. In addition, FairPoint’s new systems architecture, with its more current technology in comparison to Verizon’s existing systems, will allow FairPoint to effectively provide service offerings to the residents and businesses located in New Hampshire, Maine and Vermont. FairPoint’s broadband infrastructure plans will extend broadband capabilities and internet service more rapidly than contemplated by Verizon. FairPoint’s economic development initiative will help to further the policies already established in the state and provide additional resources and tools to help the communities meet their goals. The transition of the Verizon New Hampshire, Maine and Vermont operations to FairPoint will thus benefit, be in the public interest and promote the general good for all of the residents and businesses of the State of New Hampshire.

**Q.** Does this conclude your testimony?

1 A. Yes. Thank you.

**BRIAN LIPPOLD**

**EXPERIENCE SUMMARY:**

Brian Lippold is the Vice President for Business & Wholesale Services for FairPoint Communications, Inc., responsible for the design, staffing and management of the business and wholesale services organization.

Brian has more than twenty-three years experience in the competitive telecommunications industry, having started as a billing systems programmer and switch technician and progressed through supervisory, management, director and VP level positions within network planning, engineering and operations for telecommunications companies. He has held general management and sales management responsibilities on a local, regional and national basis and has served both enterprise and wholesale customers. He has led the development, deployment and sales of new voice and data services and entered new markets in the United States. The companies Brian has served include: Level 3 Communications, Inc.; TelCove, Inc.; Long Distance North/Rochester Tel; American Communications, Inc.; Dial-Net, Inc.; Billing Systems International; and Dannenbaum Engineering.

With respect to wholesale responsibilities, Brian led a large regional wholesale sales and service organization for more than three years as Vice President of Carrier Services with TelCove, Inc. In that position, he was tasked with re-building an under-performing wholesale sales channel to leverage the TelCove metro and long-haul network across the eastern United States.

Immediately prior to joining FairPoint Communications, Inc., Brian was as Senior Vice President of State Government, Research and Higher Education for Level 3 Communications, Inc. In that position, he was responsible for establishing a new sales channel to leverage acquired company customer relationships, personnel and assets, and creating a focused sales and implementation organization.



**STEVEN G. RUSH**

**EXPERIENCE SUMMARY:**

Steven Rush is the Vice President for Consumer and Small Business Sales and Service for FairPoint Communications, Inc., responsible for consumer sales and support, small business sales and support, directory assistance, operator services, and outbound telemarketing.

Steven has over twenty-six years of experience in the telecommunications industry, with a principal focus on customer service and network operations. He has held management responsibility over the following functions: call centers; fault/crisis management; installation project management; voice and data center operations; technical field services; and network operations centers.

Steven was employed by AT&T from 1980 to 2006, where he held a variety of positions of increasing managerial responsibility, including Communications Technician, Private Line Board Supervisor, National Service Manager, Program Manager, Process/Project Manager, General Manager, Customer Care Service Director, Director of Customer Network Operations Center, and, most recently, Network Operations Vice President. In his most recent position as Network Operations Vice President, Steven oversaw an organization of 2000 employees spanning twenty states and was responsible for improving network stability, dispatch, customer trouble resolution, new service and technology installation, vendor management and security. Moreover, as Customer Care Service Director, a position he held from 2000 to 2003, Steven served as a client advocate on service-related inquiries related to service monitoring, fault repair and installation project management.

Steven served as a Third Class Petty Officer, Advanced Electronics and Electricity, for the United States Navy.

## **RALPH E. WASNER**

### **EXPERIENCE SUMMARY:**

Ralph Wasner is the Vice President Information Services/Information Technology for FairPoint Communications, Inc.

Ralph has seventeen years of experience in the financial services, retail and telecommunications industries. His experience includes creating disaster recovery and business continuity plans, designing offshore outsourcing plans to support software development, creating IT groups from the ground floor, designing global data centers, and directing numerous multinational IT organizations. He has led multimillion dollar IT projects and deployed CRM, Oracle (ERP) Financial solutions, HRMS, and data warehouse solutions for global Fortune 200 enterprises. Ralph has also acted as a principal player in seven merger and acquisition transactions, including Bell Canada's acquisition of Teleglobe.

Ralph has held executive IT positions with Tracfone Wireless, Inc., Limited Brands, Inc., Teleglobe Communications, and Euro Brokers International. His accomplishments include: spearheading the consolidation of five companies into one for Teleglobe; building an IT organization for Euro Brokers, which led to the establishment of 43 offices in 36 different countries; creating disaster recovery and business continuity plans for two companies located in the World Trade Center that were executed successfully during the terrorist attacks of 2001; leading the development of an Oracle-based provisioning system which became the standard provisioning system for most telecommunications carriers; and directing a \$19 million deployment of HRMS using PeopleSoft over a short time period across a 170,000-user community.

Immediately prior to joining FairPoint, Ralph served as Senior Vice President, Information Technology for Tracfone Wireless, Inc., where he oversaw a budget of \$49 million and was responsible for designing IT strategies and building a scalable technology platform to accommodate future growth. While in that position, he engaged in data recovery and business continuity planning, regulatory compliance, technology outsourcing, vendor relationship management, contract consolidation and maximization, new property build outs including data centers, redesigning and redeploying key applications, cost savings, and career pathing.

Having lived and worked in Europe and Asia, and managed teams in Columbia, Mexico, Germany, Denmark, Spain, England, Hong Kong, Australia, Japan and Singapore, Ralph has recognized international experience in systems and call center designs, POS systems and retail enhancement systems.

### **EDUCATION:**

- University of Heidelberg, Germany – Engineering degree, Electrical Engineering and Computer Science
- Long Distance Communication School, Security Systems School – Senior Management Training, Professional Management I, II, III and IV

**GRACIE P. COLEMAN**

**EXPERIENCE SUMMARY:**

Gracie Coleman is the Vice President Human Resources for FairPoint Communications, Inc. Gracie has extensive executive experience within the telecommunications industry in human resource management, profit and loss management, sales, marketing, and product management. She has held positions of increasing responsibility for companies including Chesapeake and Potomac Telephone Company, American Bell, AT&T, Lucent Technologies and Springs Global, Inc.

During her twelve years at AT&T, Gracie served as Manager – Labor Relations and was responsible for company/union relations in a five-state area; Staff Manager – Marketing and Retail Support; Zone Manager AT&T Phone Centers, overseeing 12 phone centers; District Manager – Phone Center Education, leading education programs for 400 AT&T phone centers; Area Manager – AT&T Phone Centers; General Manager – Accessible Communications Products; Human Resources Director – Network Systems; and Human Resources Vice President/Strategic Partners – Network Systems, leading an organization of 700 human resource professionals and delivering a broad range of products and services including performance management, compensation and benefits, EO/AA and diversity, and staffing.

While at Lucent Technologies, Gracie held the positions of Human Resources Vice President and Human Resources and Marketing Vice President – Governmental Solutions. In those positions, she led the development of executive compensation and benefits programs and policies, and led human resources activities for Lucent's sales channel to the federal government, a \$1 billion business with 5,000 employees.

Immediately prior to joining FairPoint, Gracie was the Senior Vice President – Human Resources for Springs Global, Inc., a \$2.5 billion dollar home furnishings company with 15,000 employees, where she led all aspects of human resources including compensation and benefits, medical, staffing and recruiting, education and training, leadership development, succession planning, diversity and culture transformation. In addition, Gracie led the due diligence efforts and integration activities for Springs Industries merger with Coteminas and for six acquisitions.

**EDUCATION:**

- ITT Business Institute – Baileys Cross Roads, Virginia (1971)
- Numerous college and AT&T and Lucent-sponsored courses
- Harvard University Graduate School of Business Program for Management Development (1973)

**JANE E. VALIK**

**EXPERIENCE SUMMARY**

In June of this year, Jane Valik was promoted to the position of Vice President of Operations Support, reporting directly to Peter Nixon. Jane's duties as Vice President of Operations Support will be based in Maine.

Jane's latest assignment builds on her twenty-three years of experience in the telecommunications industry. Prior to her current assignment, Jane served as FairPoint Communications, Inc.'s Vice President, Customer Service and Support. As Vice President, Customer Service and Support, Jane was responsible for Inbound Call Center and Collection activity as well as the Business Sales channel and Outbound Telemarketing. Within a span of 90 days, Jane was able to transform collections and revenue statistics into positive trends.

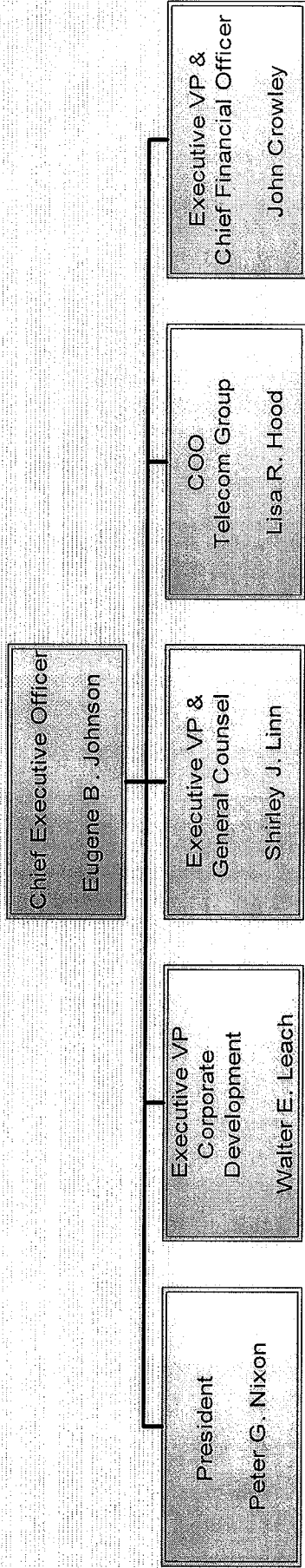
Also, by October 2006, Jane's group planned and announced the consolidation of all FairPoint small business office concept operations to two call centers, Ellensburg, Washington and South China, Maine. The consolidations were completed in August of 2007, resulting in customer benefits in the form of premier customer service, attainment of service level targets and reduction of customer complaints achieved by enhanced training.

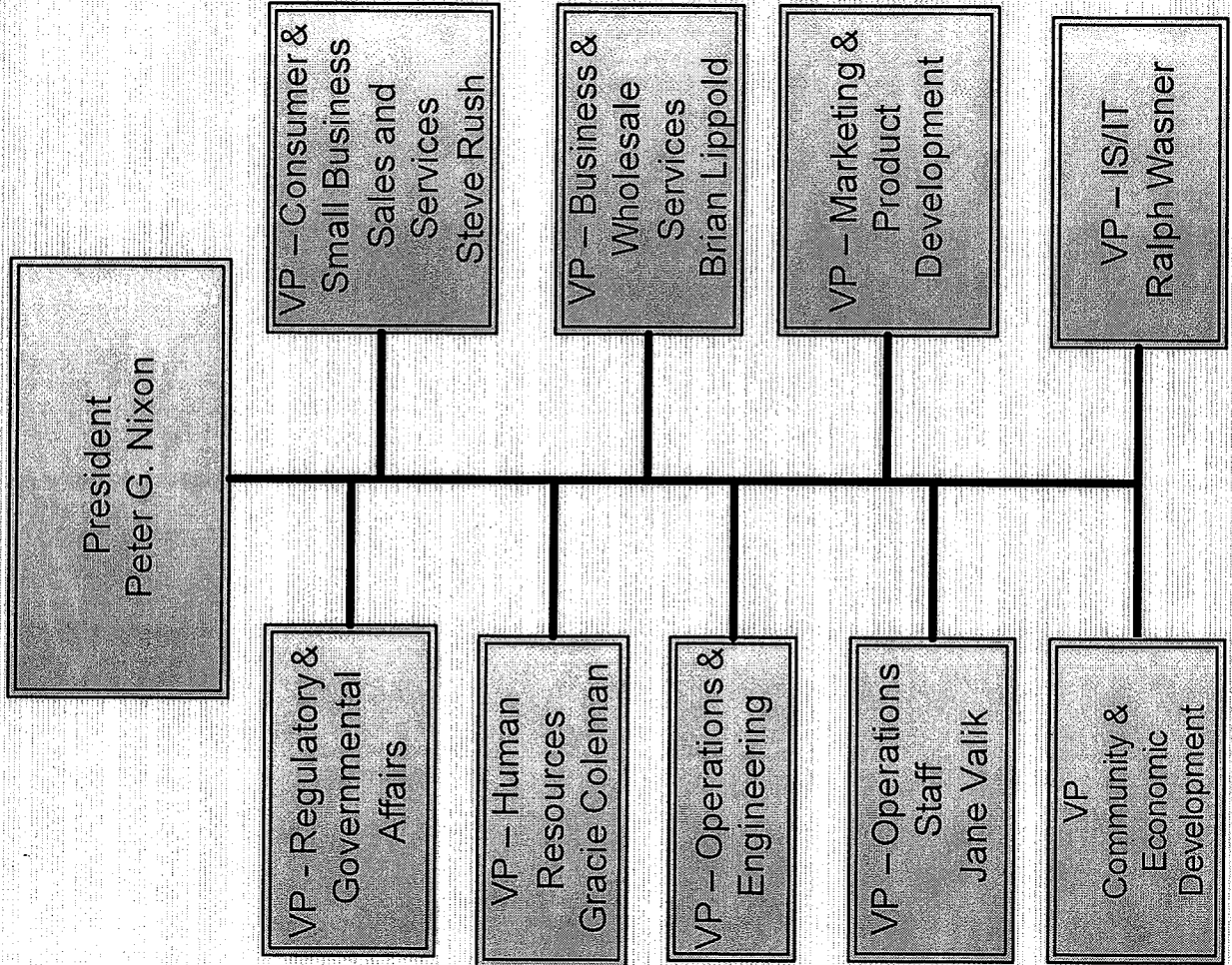
Jane served an interim position of Marketing Vice President for the latter third of 2006. During the interim assignment, Jane revisited and realigned the Business Sales and Marketing organization, resulting in additional efficiencies.

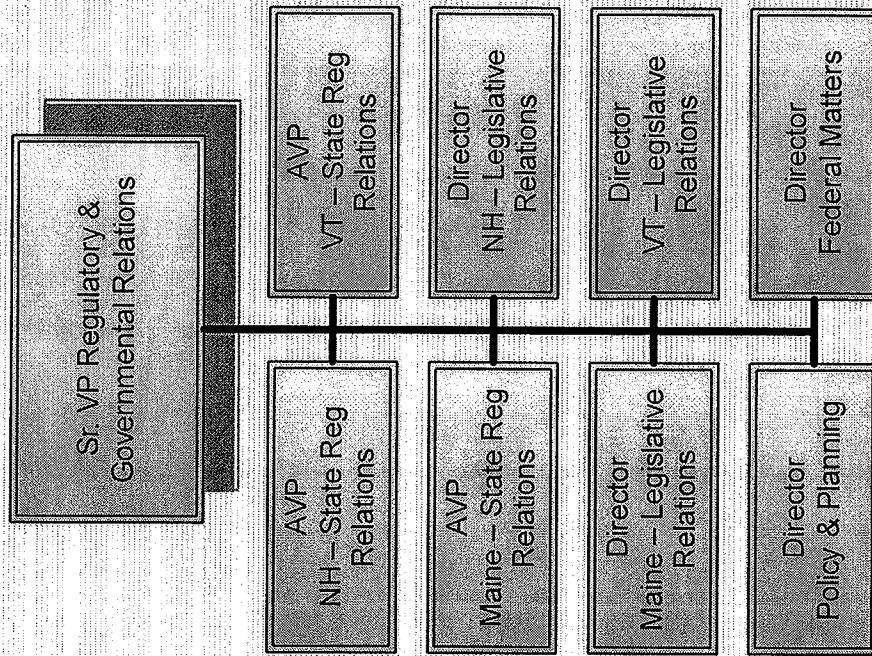
From 1995 to 2001, Jane served as Citizens Communication's Call Center Manager, managing 390 residential and business customer contact employees, including management, non-exempt and union personnel. She also coordinated the management and successful execution of multiple system conversions and consolidation efforts encompassing 800,000 customer access lines and coordinated consolidation of all corporate CLEC activity into a centralized department. From 1993 to 1995, Jane served as Citizens Communications' Business Call Center Manager and Operations Manager - Outside/Inside Plant. From 1991 to 1993, Jane was Operations Senior Administrator for GTE New York and from 1984 to 1991 she held the positions of Outside Plant Construction Superintendent (1990-1991) and Contract Coordinator (1984-1990) for Contel of New York.

# FairPoint Leadership Team

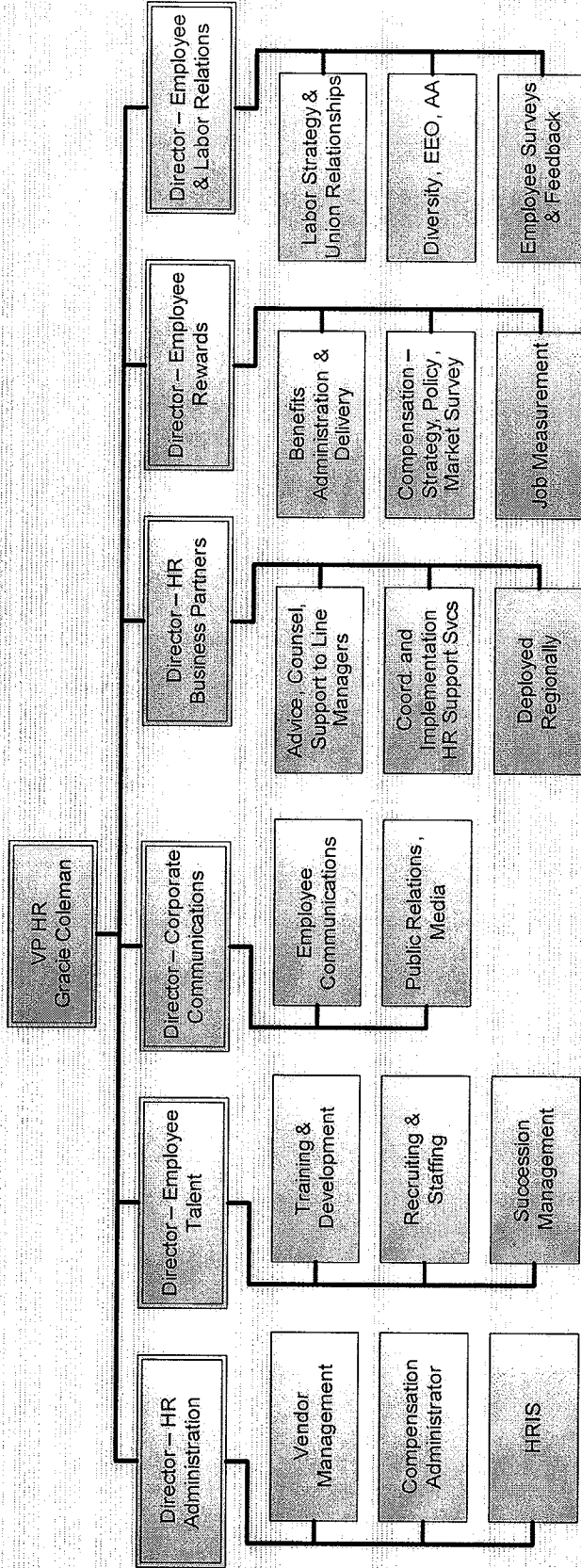
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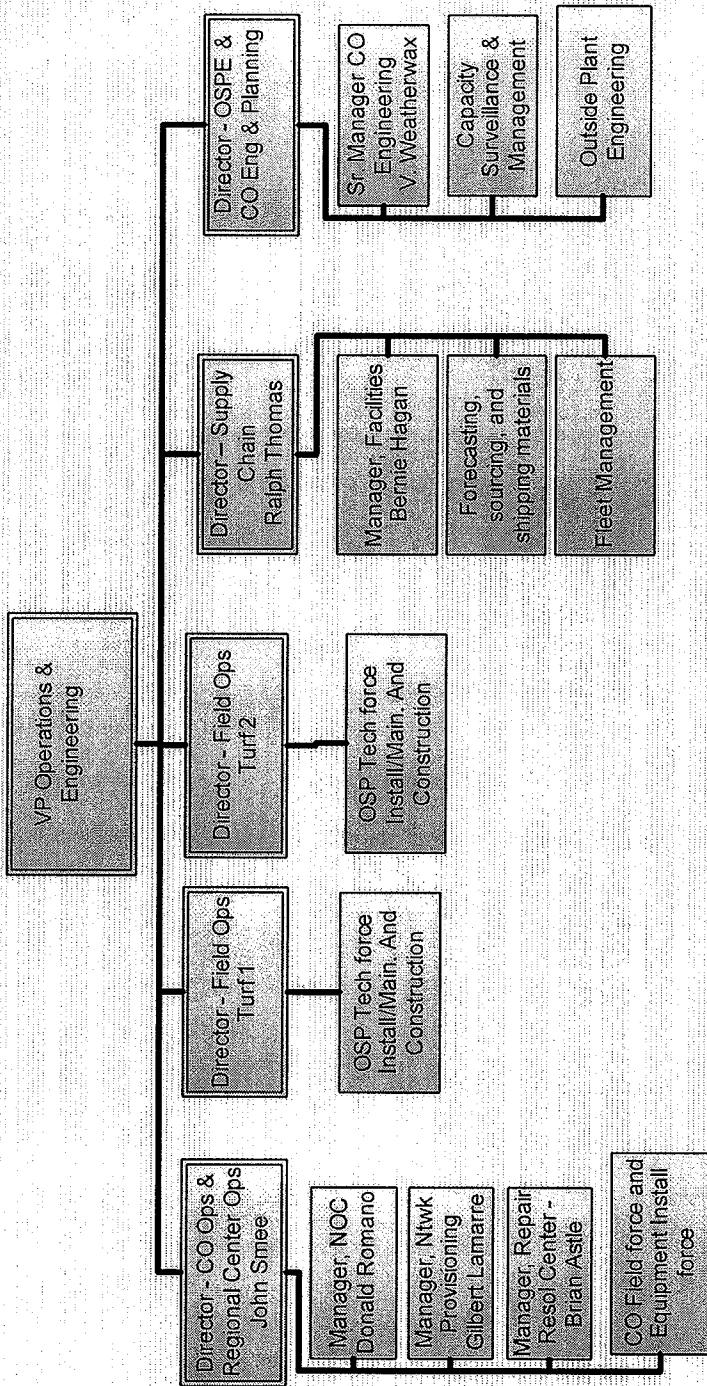


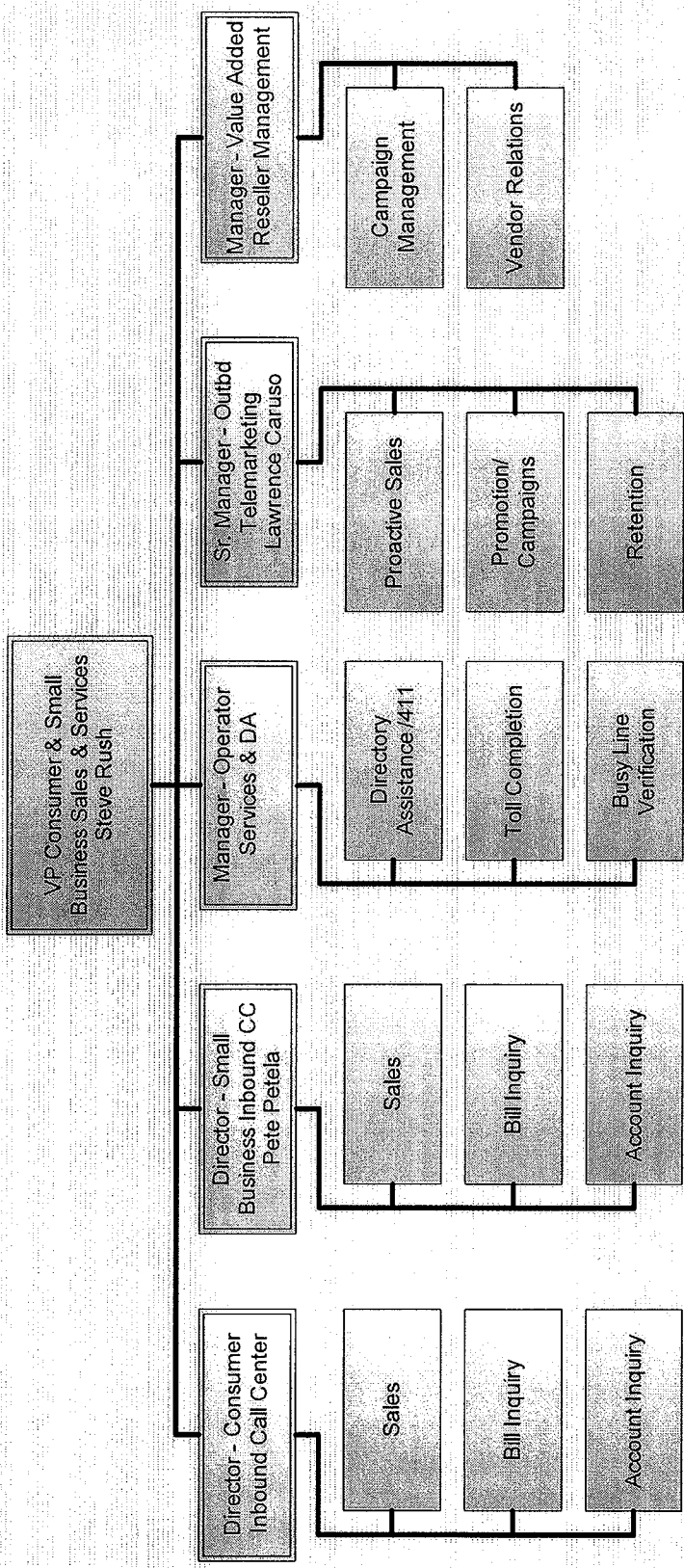


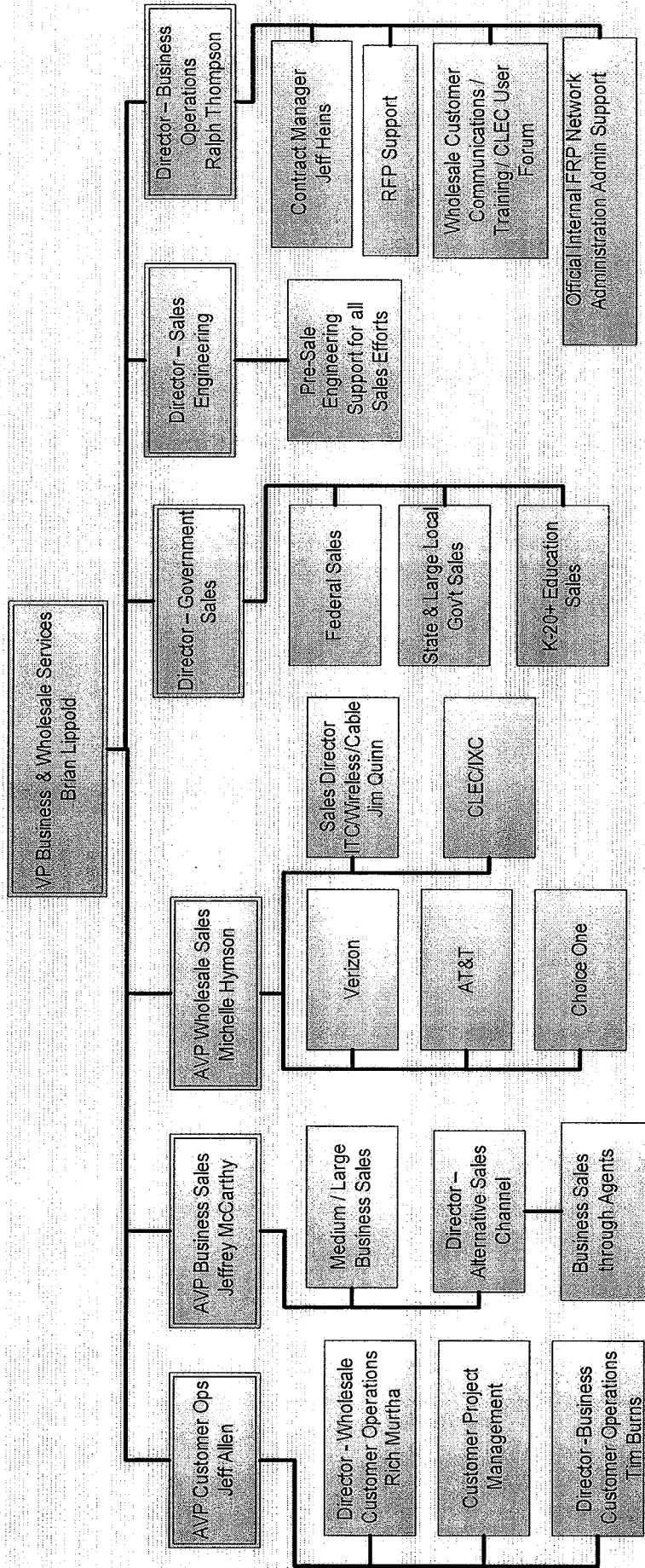


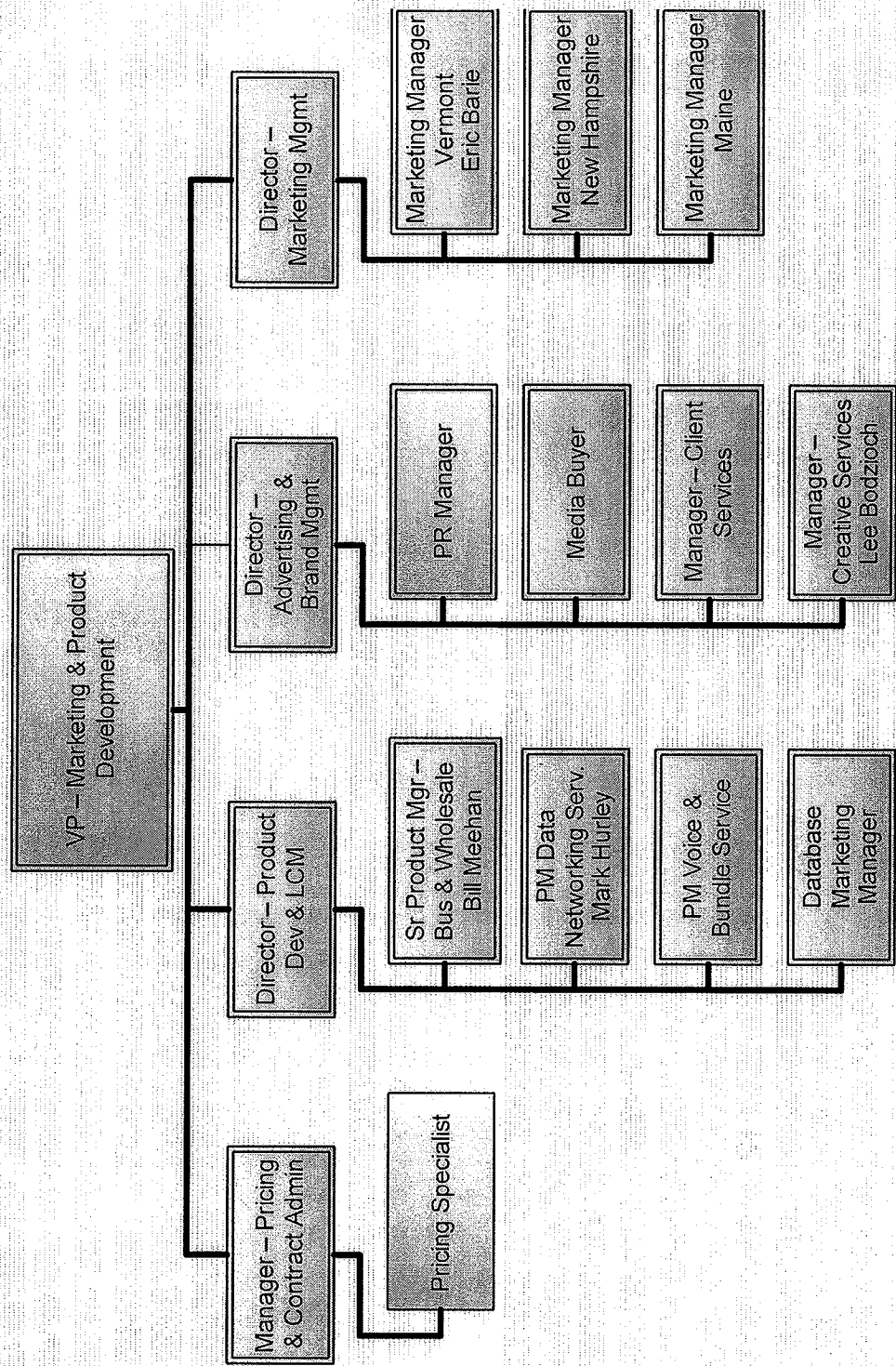


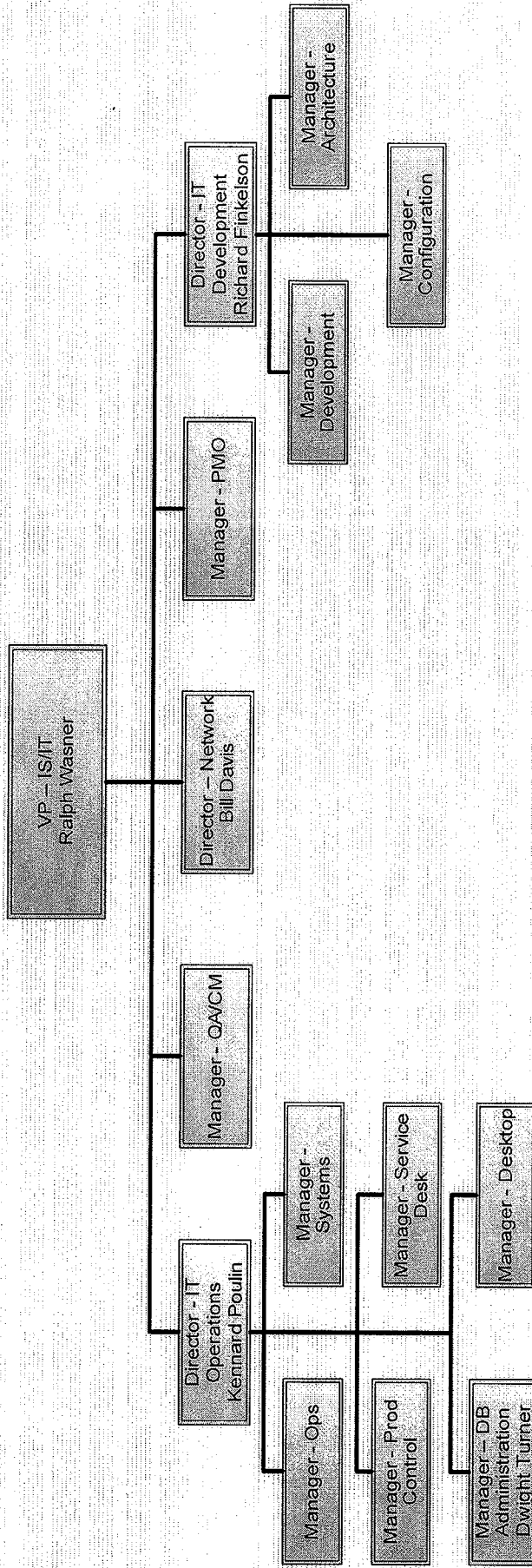


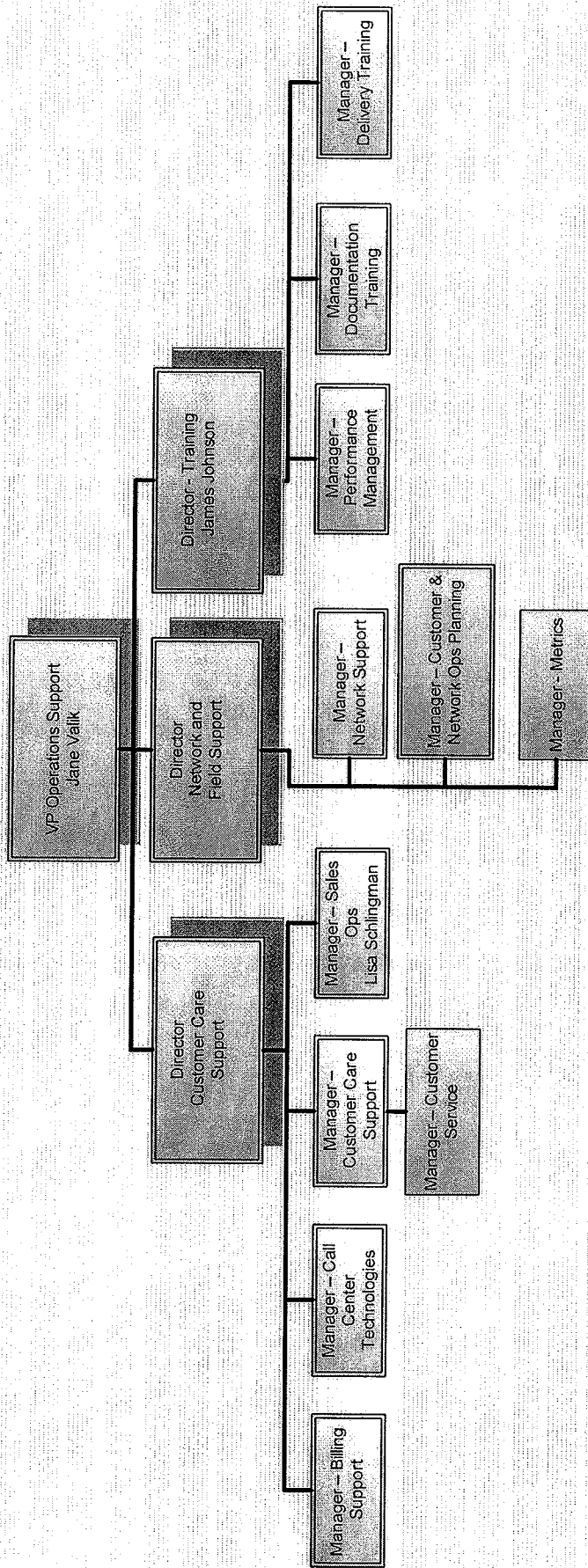


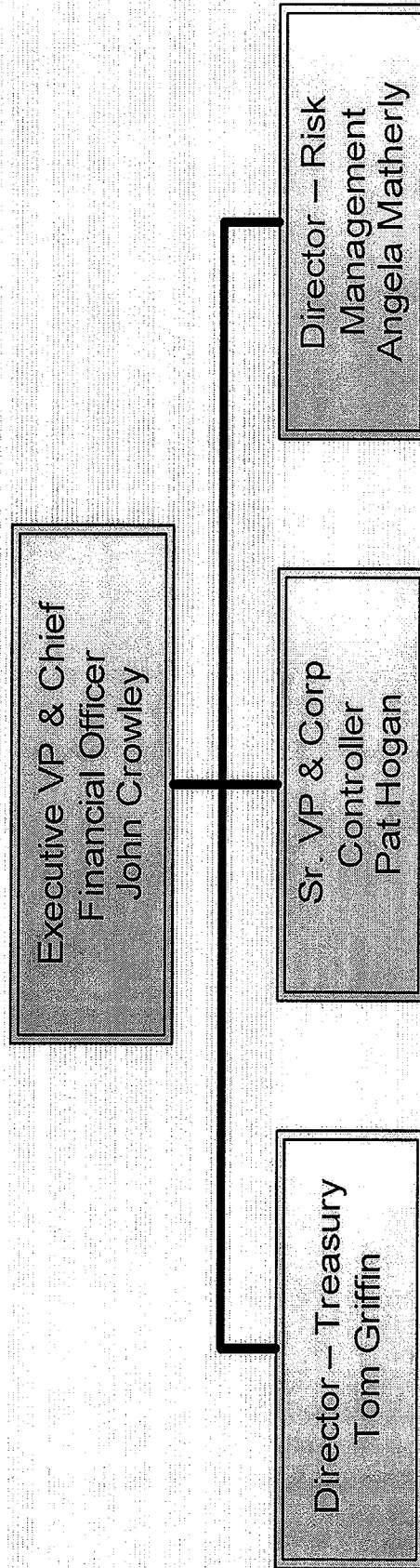




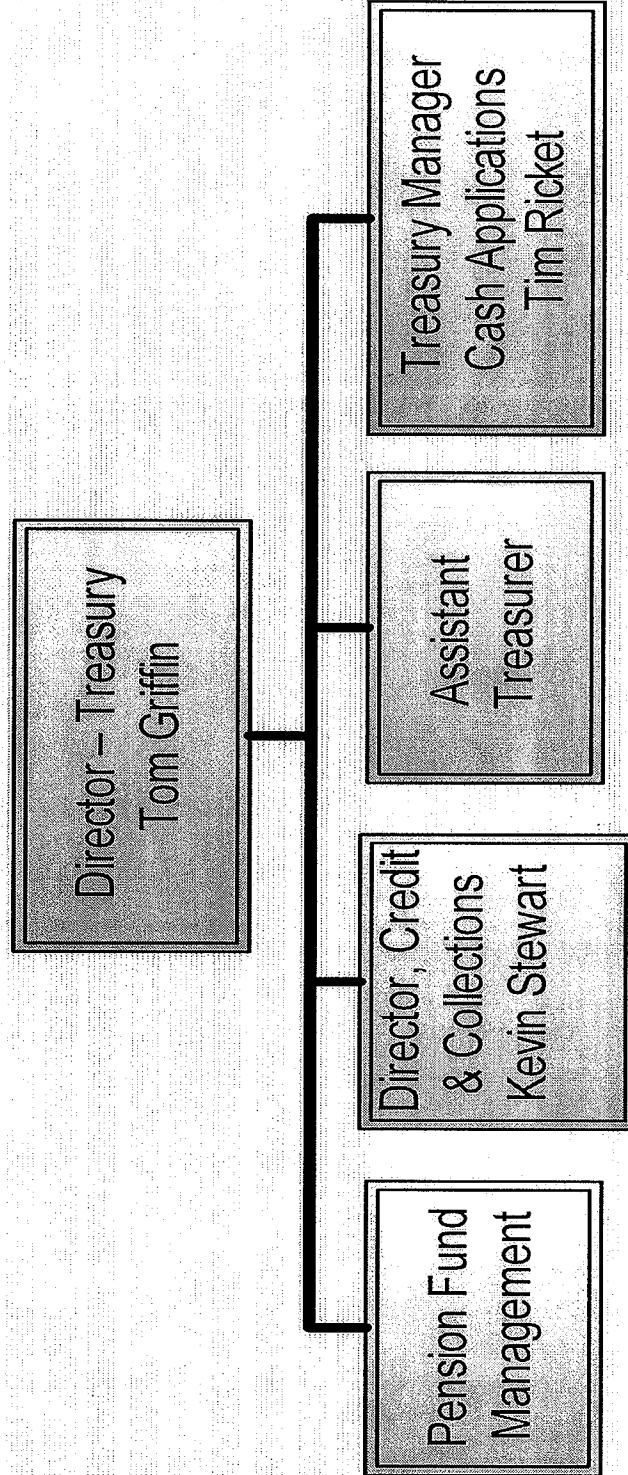


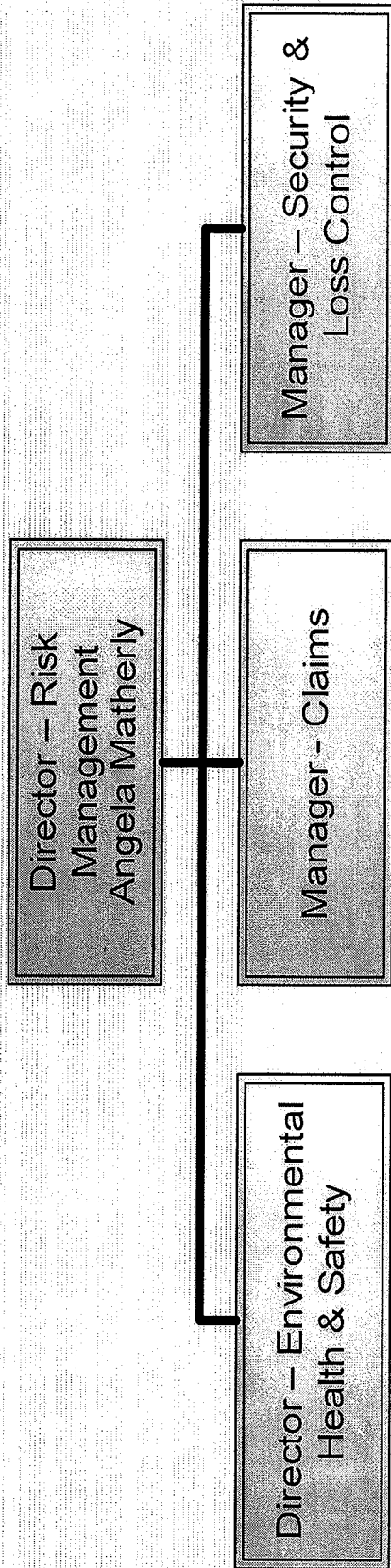


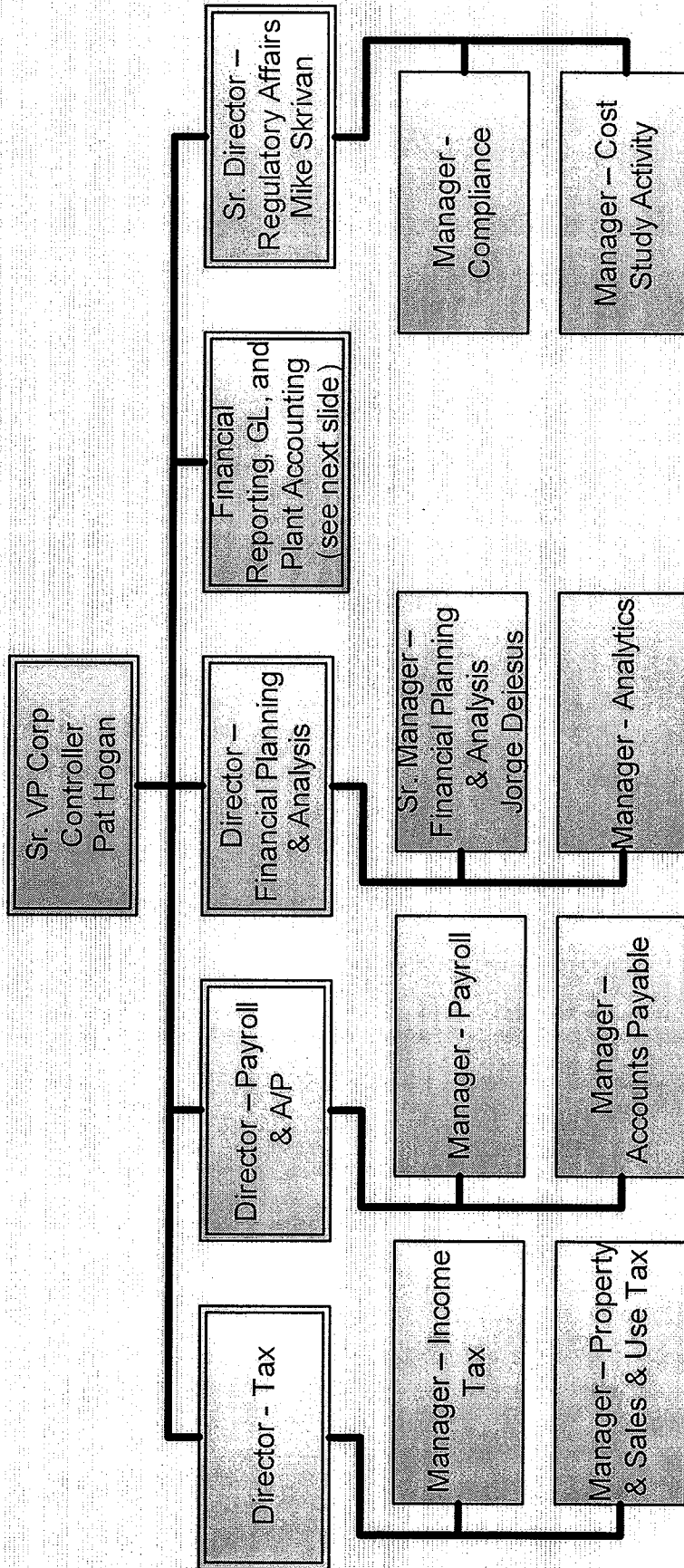


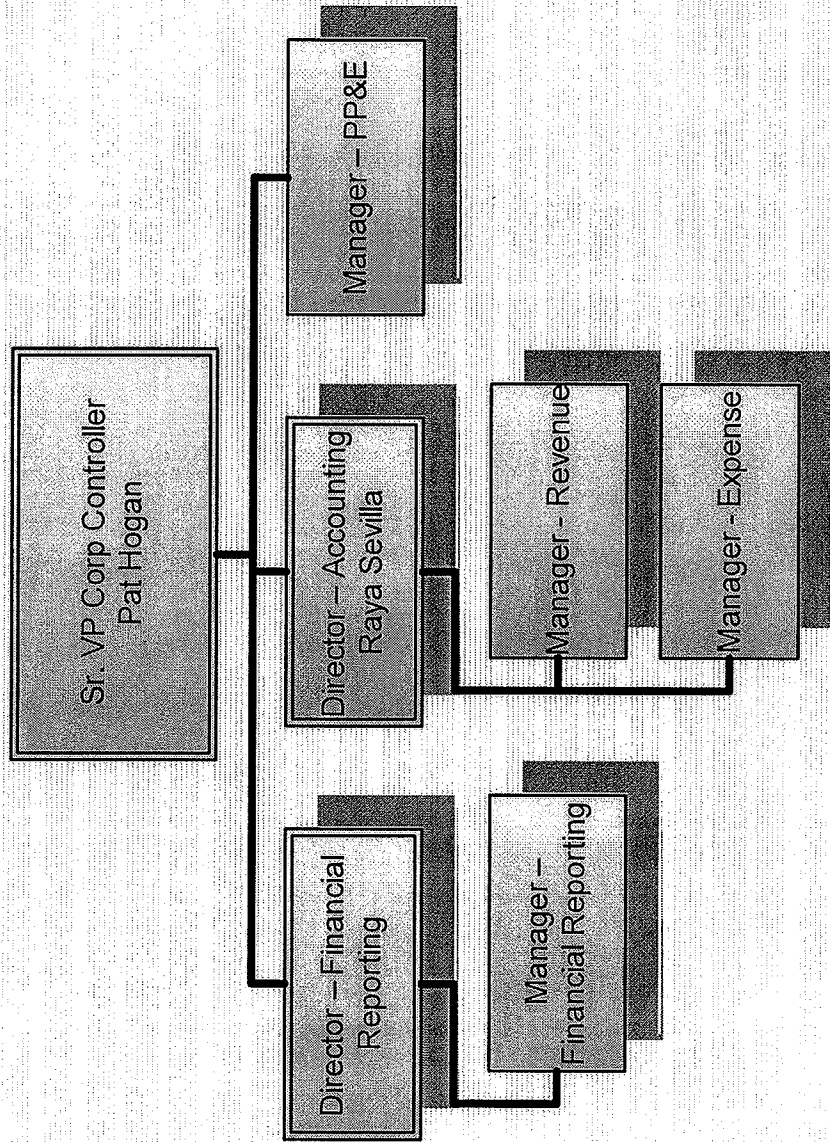


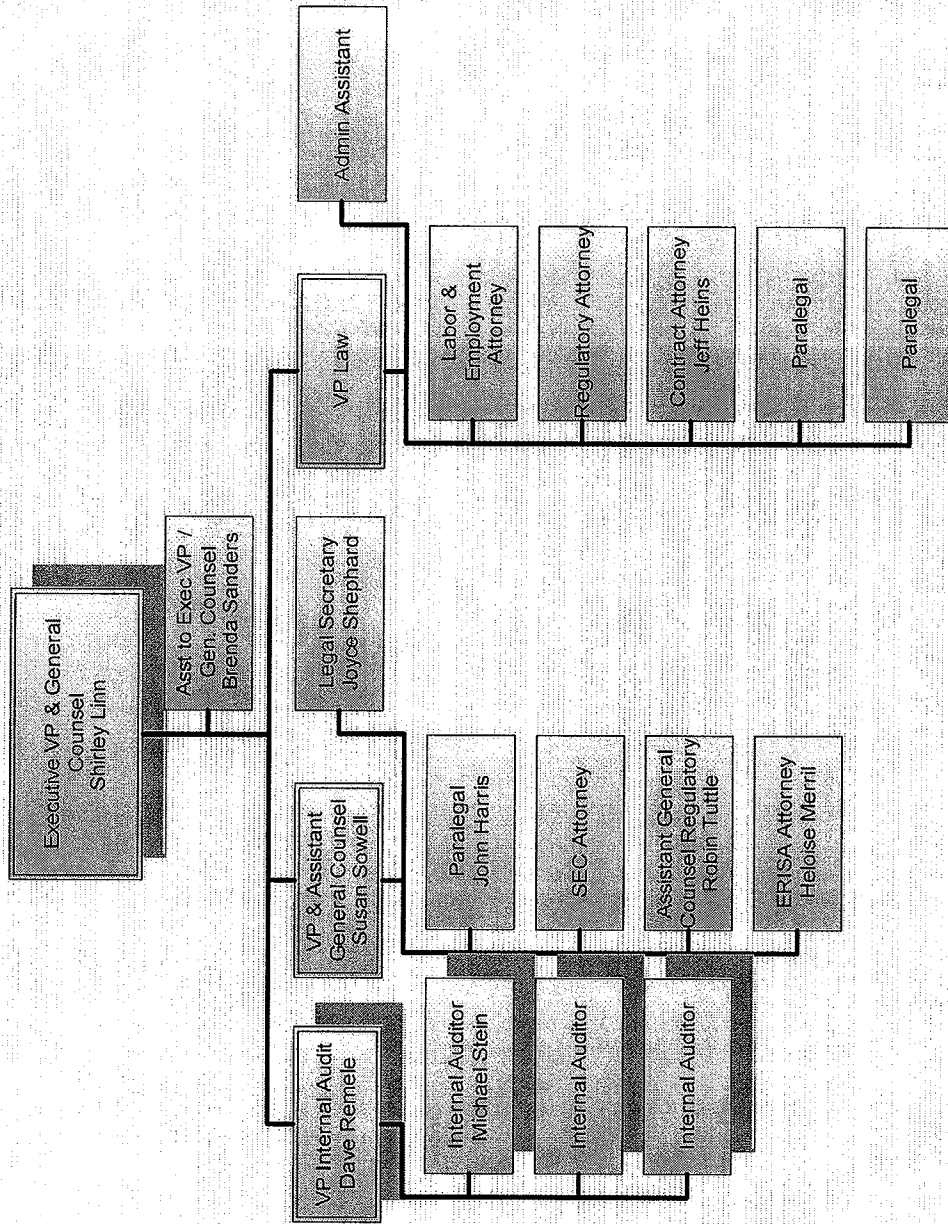












August 13, 2007

**Response: State of Maine – Employee Engagement Update**

FairPoint measures front-line customer service employee satisfaction through the use of surveys. The last survey was conducted in May, 2005. FairPoint proposes to conduct a survey again six months after the cutover to give employees the opportunity to integrate into the FairPoint culture. Future plans for employee surveys are as follows:

**Audience:** All FairPoint Employees

**Steps/Timing:**

<b>Jun – Sep 2008</b>	Select Vendor Develop Questions and Survey Administration Process Develop Employee Communications Plan
<b>Oct 2008</b>	Deploy On-Line Baseline Survey
<b>Nov 2008</b>	Receive Results and Analysis Communicate Results to Management Team Communicate Results to Employees
<b>Dec 2008 thru Apr 2009</b>	Form Response Teams to address critical concerns (broad representation throughout the business) Response Teams Develop Recommendations to Management Management Actions to Implement Recommendations (as appropriate) Communicate Status to All Employees
<b>Apr 2009</b>	Deploy Second On-Line Survey
<b>Oct 2009</b>	Receive Results and Comparisons to Baseline Survey Communicate Results to Management & Response Teams Communicate Results to Employees
<b>Nov/Ongoing</b>	Continue Working on Critical Issues
<b>Nov 2011</b>	New Survey (Surveys repeated every 24 months)

# Business Integration – Operations: Design, Build & Launch

Updated as of 6/11/07

