

State of New Hampshire  
Public Utilities Commission

DT 07-011

Verizon-FairPoint Sale of Assets

Prefiled Direct Testimony of Irene Schmitt

August 1, 2007

1     **Q.     What is your name and address?**

2     A.     My name is Irene Schmitt. I live in Madison, New Hampshire. My house is on the  
3           border of Madison and Albany. My mailing address is Conway, New Hampshire.

4     **Q.     Do you live in the town center?**

5     A.     No. I live outside of town. I live alone in a rural area.

6     **Q.     Are you a residential customer of Verizon?**

7     A.     Yes. I have been a Verizon customer for years. The phone bill is in my name. I  
8           am a widow. Before my husband died the phone bill was in his name.

9     **Q.     Do you live on a limited income?**

10    A.     Yes. I am a senior citizen. My sole source of income is Social Security in the  
11           amount of \$835 per month. I also receive food stamps.

12    **Q.     Is it difficult to pay your bills on your limited income?**

13    A.     Yes. It is a struggle, but I pay my bills. I try to economize as much as I can.

14    **Q.     Do you have a cell phone or internet at home?**

15    A.     No. I do not have a cell phone. I cannot afford to have a cell phone or a  
16           computer or internet.

17    **Q.     Do you rely on your phone?**

18    A.     Yes. My eyesight is poor and I cannot drive. I do not have a car. I  
19           must have a phone for necessary calls to doctors, the pharmacy, and  
20           to arrange for rides to the grocery, pharmacy and medical appointments.

21    **Q.     How is cell phone coverage where you live?**

22    A.     My friends say that coverage is poor and unreliable in our area.

1     **Q.     Are you an intervenor in this proceeding?**

2     A.     Yes I am.

3     **Q.     What is your interest in this proceeding?**

4     A.     I think it is important that the Commission hear from a low income basic  
5           local exchange service customer regarding the proposed sale. In my view, the  
6           sale should not be approved unless it is clear that FairPoint is able to provide  
7           reliable service on a long term basis at affordable rates.

8     **Q.     Do you have specific concerns?**

9     A.     Yes. In addition to reliable service, my major concerns are customer protection and  
10          affordable basic local exchange service rates.

11    **Q.     Do you think the Commission should impose certain conditions in order for  
12          the sale to take place?**

13    A.     Yes. The Commission should impose certain conditions to protect customers and  
14          to assure affordable service.

15    **Q.     What conditions do you think should be placed on the sale?**

16    A.     The first condition is that FairPoint should agree to remain under rate of return  
17          regulation for at least five years.

18    **Q.     What is your understanding of rate of return regulation.**

19    A.     My understanding is that it is a way for the Commission to regulate how much  
20          revenue the company needs to cover its costs, how much of a return the company  
21          should be allowed to earn on its investment, and what rates the company should be  
22          allowed to charge its customers. It is also my understanding that under this form of  
23          regulation the company must get permission from the Commission if it wants to

1 increase the rates that it charges its customers and must justify the need for these  
2 rates to the Commission.

3 **Q. Please explain why FairPoint should remain under rate of return regulation.**

4 A. I think basic local exchange service customers will be better protected if FairPoint  
5 has to justify to the Commission the need to increase rates rather than being  
6 allowed to raise rates whenever it pleases.

7 **Q. Why a five year period?**

8 A. We need to see whether FairPoint has the ability to provide reliable, affordable  
9 service over the long term before considering whether to allow a form  
10 of regulation other than rate of return regulation. Five years seems a reasonable  
11 period of time to evaluate how FairPoint is doing on a long term basis.

12 **Q. Are you aware that FairPoint says it will agree to be under rate of return  
13 regulation for 36 months?**

14 A. Yes, but I do not think 3 years is long enough for the reasons I stated above.

15 **Q. What is the second condition that should be required?**

16 A. FairPoint should agree to continue to provide the low use measured residence  
17 service option that Verizon provides.

18 **Q. Do you have low use measured residence service?**

19 A. Yes. It helps make my phone bill more affordable if I can limit the number of  
20 outgoing calls that I have to make and limit the time that I talk.

21 **Q. What is the third condition that should be required?**

22 A. Lifeline and Link-Up outreach efforts should be increased.

23 **Q. Please explain.**

1 A. Lifeline can be helpful to low income customers like me. In 2006 I began to  
2 receive the Lifeline discount on my monthly phone bill. This has helped make my  
3 phone service more affordable. Unfortunately, I did not learn about the Lifeline  
4 discount from Verizon. I learned about it from New Hampshire Legal Assistance.  
5 In the past I have told Verizon customer service representatives that I was having  
6 problems paying my bills, but they never told me about Lifeline. Also, I never saw  
7 an explanation on my bill about Lifeline, and I never noticed Lifeline advertised in  
8 the newspaper or on radio or TV. I think the telephone company should work hard  
9 to get the word out to its customers and to the public about the Lifeline and Link-  
10 Up programs. I think there are a lot of low income and elderly folks who could  
11 benefit from the Lifeline and Link-Up programs.

12 **Q. What is the fourth condition that should be required?**

13 A. FairPoint should make soft dial tone available.

14 **Q. What is your understanding of soft dial tone?**

15 A. My understanding of soft dial tone is that it allows a person whose phone is  
16 disconnected because they did not pay their bill to still be able to have a dial tone to  
17 call 911 in case of an emergency.

18 **Q. Why do you think it is important to have soft dial tone?**

19 A. I believe that it is a public safety issue. A person should be able to contact the  
20 police or fire department or an ambulance if there is a fire or a safety issue, such as  
21 a burglar or domestic violence. The 911 call can save someone's life or prevent  
22 their home from burning down in the case of a fire. I am elderly and I live alone in  
23 a rural area. Cell phone coverage often doesn't work in the area where I live. I

1 don't have a car or neighbors nearby. I would hope that I would be able to call 911  
2 if I was in danger.

3 **Q. What is the fifth condition that you would require?**

4 A. FairPoint should agree not to seek to increase rates for basic local exchange  
5 service for at least three years.

6 **Q. Are you aware that FairPoint has already agreed not to increase basic local  
7 exchange service rates for one year?**

8 A. Yes. I am aware of this, however I believe that one year is too short a period of  
9 time. If FairPoint thinks that it might have to increase basic local exchange service  
10 rates after twelve months this could cause a customer like myself to wonder if  
11 FairPoint really has enough resources to successfully run the business that it  
12 proposes to buy from Verizon.

13 **Q. Why is it important that FairPoint not try to increase rates for several years?**

14 A. Low income and fixed income elderly customers like me need to have stable rates.  
15 We also need to be able to have affordable basic phone service. It is hard to make  
16 changes in a very limited budget when phone bills and other utility bills keep going  
17 up. Affordable basic local exchange phone service is essential to me. Without a  
18 phone I would be cut off from the outside world; from my friends and from  
19 necessary medical appointments. My phone is my lifeline.

20 **Q. Do you have any concerns regarding the proposed sale of Verizon's payphones  
21 to FairPoint?**

22 A. Yes. There seem to be fewer and fewer payphones these days. I would like to see  
23 FairPoint keep as many payphones in service as possible, especially in rural areas

1 of New Hampshire.

2 **Q. Please explain why you think payphones are needed in rural areas.**

3 A. In rural areas payphones are important for public safety reasons. This is  
4 particularly so in rural areas that have poor cell phone coverage. For example, if  
5 there is an accident a nearby payphone could help save a life or enable an injured  
6 person to obtain prompt medical assistance.

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

8 A. Yes.