

FairPoint Communications, Inc.
State of New Hampshire
Docket No. DT 07-011

Respondent: Michael Skrivan
Title: Senior Director, Regulatory
Affairs

REQUEST: Office of Consumer Advocate - Rebuttal

DATED: September 19, 2007

ITEM: OCA R-105 Refer to page 19, lines 3-11, of the Rebuttal Testimony of Michael T. Skrivan.

- a. Quantify the referenced "transaction expenses" (line 5) and "other costs" (lines 6, 8), by expense or cost type and amount.
- b. Please also describe the costs contained in the individual line items of expense or cost type and amount.

REPLY:

- a. The spending for transition activities and cutover requirements is primarily governed by a fixed priced contract with Capgemini. FairPoint's transition plans and corresponding payments to Capgemini continue on plan per the Master Services Agreement and Work Orders 1 and 2. As of June 30, 2007, our last publicly reported figure, FairPoint had incurred approximately \$28 million for Work Order 1 and for hardware/software costs before the Verizon reimbursement. Of this amount, approximately \$21 million was capitalized, with the remainder being expensed. The fixed price contract with Capgemini for Work Orders 1 and 2 and the hardware/software expenditures totals approximately \$200 million. The breakout of this amount between capital expenditure and expense is determined quarterly based upon the activities performed and cannot be definitively quantified at this time; however, in general terms we would expect to capitalize approximately 70-75% of the \$200 million.
- b. Because the budget for transition activities and cutover requirements is primarily governed by a fixed price contract with Capgemini, line item budgets are not available.