

DT 07-011

**VERIZON NEW ENGLAND, INC., BELL ATLANTIC COMMUNICATIONS, INC.,
NYNEX LONG DISTANCE CO., VERIZON SELECT SERVICES, INC.,
AND FAIRPOINT COMMUNICATIONS, INC.**

Transfer of Assets to Fair Point Communications, Inc.

Procedural Order

O R D E R N O. 24,733

March 16, 2007

APPEARANCES: Victor D. Del Vecchio, Esq. and McLane, Graf, Raulerson & Middleton by Steven V. Camerino, Esq. on behalf of Verizon New England, et al.; Devine, Millimet & Branch by Frederick J. Coolbroth, Esq. on behalf of FairPoint Communications, Inc.; Murtha Cullina by Robert J. Munnelly, Jr., Esq. on behalf of DSCI Corporation; Scott Sawyer, Esq. on behalf of BayRing Communications and segTEL, Inc.; Michael Clancy, on behalf of COVAD Communications; Gent Cav, on behalf of Otel Telekom; Carol Miller, on behalf of New Hampshire Internet Service Providers Association; Primmer, Piper, Eggleston & Cramer by Paul J. Phillips, Esq. on behalf of New Hampshire Telephone Association; Shaheen & Gordon by Arpiar G. Saunders, Esq. on behalf of the Communications Workers of America, the International Brotherhood of Electrical Workers (IBEW) Locals 2320, 2326 and 2327, and the IBEW System Council T-6; Gerald M. Eaton, Esq. on behalf of Public Service Company of New Hampshire; Alexandra E. Blackmore, Esq. on behalf of National Grid; Gary M. Epler, Esq. on behalf of Util Energy Systems; Donahue, Tucker & Ciandella by Robert D. Ciandella, Esq. on behalf of 7 Municipalities; Alan Linder, Esq. of New Hampshire Legal Assistance on behalf of Irene Schmitt; Smith & Duggan by Alan D. Mandl, Esq. on behalf of New England Cable & Telecommunications Association and Comcast Phone of New Hampshire; Meredith A. Hatfield, Esq. and Rorie Hollenberg, Esq. of the New Hampshire Office of Consumer Advocate on behalf of New Hampshire residential ratepayers; and Lynn Fabrizio, Esq. of the New Hampshire Public Utilities Commission on behalf of Staff.

I. PROCEDURAL HISTORY

On January 31, 2007, Verizon New England, Inc. (Verizon NE), Bell Atlantic Communications, Inc., NYNEX Long Distance Company, Verizon Select Services, Inc. (the Verizon Companies), and FairPoint Communications, Inc. (FairPoint) (or jointly, the Petitioners), filed a Joint Application seeking approval for the transfer of certain assets of the

Verizon Companies to FairPoint which, if consummated, would result in FairPoint acquiring a portion of the Verizon NE franchise to provide wireline telecommunication services in New Hampshire and owning the network used to provide those services. The Petitioners have submitted similar applications to the Maine Public Utilities Commission and the Vermont Public Service Board, as the proposed transaction covers Verizon NE's wireline business in all three northern New England states.

On February 5, 2007, the New Hampshire Office of Consumer Advocate (OCA) filed notification that it will be participating in this docket on behalf of New Hampshire residential ratepayers pursuant to NH RSA 363:28, II.

The following parties have moved to intervene in this docket on the dates indicated: on February 15, 2007: Choice One of New Hampshire, Inc., Conversent Communications of New Hampshire, LLC, CTC Communications Corp. and Lightship Telcom, LLC (collectively, One Communications); on February 16, 2007: New Hampshire Internet Service Providers Association (NHISPA); on February 20, 2007: the Communication Workers of America, the International Brotherhood of Electrical Workers (IBEW) Locals 2320, 2326 and 2327, and the IBEW System Council T-6 (collectively, Labor Intervenors); PAETEC Communications, Inc. (PAETEC) and US LEC Communications, Inc. (USLEC); on February 21, 2007: New Hampshire Legal Assistance (NHLA) on behalf of Irene Schmitt; the New Hampshire Telephone Association (NHTA) on behalf of eight members, including Bretton Woods Telephone Co., Inc., Dixville Telephone Co., Dunbarton Telephone Co., Inc., Granite State Telephone, Inc., and TDS Telecom (Hollis Telephone Co., Inc., Kearsarge Telephone Co., Merrimack County Telephone Co., Wilton Telephone Co., Inc.) (collectively, NHTA); on February 22, 2007: segTEL, Inc. (segTEL); DSCI Corporation (DSCI); on February 23, 2007, XO Communications Services, Inc.

(XO); Covad Communications Company, (Covad); Granite State Electric Company d/b/a National Grid (National Grid); the municipalities of Hanover, Newmarket, Raymond, Salem and Seabrook (together, the Municipalities); New Hampshire Electric Cooperative, Inc. (NHEC); New England Cable and Telecommunications Association, Inc., and Comcast Phone of New Hampshire, LLC (together, the Cable Group); Level 3 Communications, LLC (Level 3); Freedom Ring Communications, LLC d/b/a BayRing Communications (BayRing); Unitil Energy Systems, Inc. (Unitil); Public Service Company of New Hampshire (PSNH); Union Telephone Company d/b/a Union Communications (Union); on February 26, 2007: The Destek Networking Group, Inc. (Destek); Otel Telekom, Inc. (Otel); the City of Portsmouth (Portsmouth); the City of Keene (joining the Municipalities); and on March 6, 2007: the Town of Exeter (joining the Municipalities). In addition, several other persons, including State Representatives, have filed statements of interest in this docket. Finally, the Commission has received numerous comments from members of the public on the proposed transaction.

On February 7, 2007, the Commission issued an Order of Notice scheduling a prehearing conference, to be followed by a technical session, for February 27, 2007. A prehearing conference was held on February 27, 2007, as scheduled.

Although there were no objections entered to any of the motions to intervene, FairPoint expressed concern with the number of interventions and how to manage them in relation to a “prompt and orderly conduct of the proceeding.” FairPoint noted that NH RSA 541 allows for the possibility of combining participation and suggested that participation could be divided into groups consisting of labor unions, consumer interests, CLECs and ISPs, pole maintenance (or electric companies), and municipalities. FairPoint noted its concern about the interests asserted by the labor unions, stating that it believes some of the issues they wish to address go far beyond

labor union interest. Additionally, FairPoint suggested that to the extent the unions are asserting consumer interests, there is an inherent conflict of interest. FairPoint pointed out that wages and benefits are a direct pass-through in a rate-of-return environment, and that labor costs are a test-year operating expense. Therefore, the higher the prudently-incurred labor costs, the higher the rates. FairPoint stated that it is not seeking a Commission ruling regarding the labor unions at this time, but that it reserves its rights as the docket progresses.

With no objections, and all petitions to intervene demonstrating rights, duties, privileges, or other interest that may be affected by this proceeding, the Commission granted all the petitions to intervene through the date of the Prehearing Conference. The Commission also recognized FairPoint's concerns regarding consolidation or coordination among intervenors and suggested that the parties come to some kind of agreement, if possible, during the technical session following the hearing. Regarding FairPoint's statements concerning the scope of labor union participation in the proceeding, the Commission indicated it would consider those issues as the proceeding develops.

On February 27, 2007, the Labor Intervenors submitted a preliminary list of issues that it stated it intends to investigate during the course of this proceeding. During the prehearing conference on the same date, the Labor Intervenors reserved their right to address other issues in discovery, testimony, and cross-examination.

On March 2, 2007, the Labor Intervenors requested that, pursuant to N.H. Admin. Rule Puc 102.17 and 201.02, the Commission schedule public statement hearings in the cities of Berlin, Keene, Manchester, Portsmouth, and Salem. On March 5, 2007, the New Hampshire AFL-CIO (NH AFL-CIO) requested public statement hearings in Concord and Nashua, in

addition to the cities listed by the Labor Intervenors. The Communications Workers of America filed a separate request for public statement hearings consistent with the NH AFL-CIO request.

On March 6, 2007, Staff filed a report of the technical session held on February 27, 2007. Staff's report included a proposed procedural schedule for the efficient progression of this docket, as well as a grouping of topics for purposes of discovery. In its report, Staff indicated that participants had agreed to certain guidelines for the conduct of discovery, including a joint request for a waiver of Puc 203 of the Commission's rules with respect to discovery dispute timelines. Staff requested that the Commission approve the participants' proposed discovery guidelines and procedural schedule, both of which are included below. Staff further requested the designation of a Commission official to resolve discovery disputes in accordance with the proposed discovery guidelines and procedural schedule.

A. Guidelines for the Conduct of Discovery

- Issues will be divided into 5 categories for purposes of discovery [as attached to Staff's March 5, 2007 report];
- Discovery will be conducted according to rolling timelines covering the 5 categories of issues;
- A waiver of PUC rules regarding timelines for discovery disputes will be requested;
- Appointment of a Commission official to resolve discovery disputes within the proposed timelines will be requested;
- All discovery requests will be submitted by email to the discovery service list;
- All discovery responses (including confidential responses) will be submitted in 4 paper copies and one electronic copy to Staff;
- Each discovery response shall begin on a new page per question;
- Verizon will e-mail a Protective Agreement by March 2, 2007, to all parties who wish to receive confidential information;

- Verizon and FairPoint will establish a website for the posting of all their discovery responses, and send emails to the discovery list to alert parties to each posting as it occurs; and
- Staff will establish a link to and maintain the discovery service list on the PUC website.

B. Proposed Procedural Schedule

Joint Applicants' Testimony	March 23
Rolling Data Requests	April 6-May 4
Parties' Data Requests on Group 1	April 6
Objections to Requests on Group 1	April 13
Motion to Compel	April 20
Response to Motion to Compel	April 25
Teleconference to Resolve Remaining Disputes on Group 1	April 27
Joint Applicants' Responses to Group 1 (Unobj ected)	April 27
Joint Applicants' Responses to Group 1 (Compelled)	May 4
Parties' Data Requests Group 2	April 13
Objections to Requests on Group 2	April 20
Motion to Compel	April 27
Response to Motion to Compel	May 2
Teleconference to Resolve Remaining Disputes on Group 2	May 4
Joint Applicants' Responses to Group 2 (Unobj ected)	May 4
Joint Applicants' Responses to Group 2 (Compelled)	May 11
Parties' Data Requests on Group 3	April 20
Objections to Requests on Group 3	April 27
Motion to Compel	May 4
Response to Motion to Compel	May 9
Teleconference to Resolve Remaining Disputes on Group 3	May 11
Joint Applicants' Responses to Group 3 (Unobj ected)	May 11
Joint Applicants' Responses to Group 3 (Compelled)	May 18
Parties' Data Request on Group 4	April 27
Objections to Requests on Group 4	May 4
Motion to Compel	May 11
Response to Motion to Compel	May 16
Teleconference to Resolve Remaining Disputes on Group 4	May 18
Joint Applicants' Responses to Group 4 (Unobj ected)	May 18
Joint Applicants' Responses to Group 4 (Compelled)	May 25
Parties' Data Request on Group 5	May 4
Objections to Requests on Group 5	May 11

Motion to Compel	May 18
Response to Motion to Compel	May 23
Teleconference to Resolve Remaining Disputes on Group 5	May 25
Joint Applicants' Responses to Group 5 (Unobjected)	May 25
Joint Applicants' Responses to Group 5 (Compelled)	June 1
Technical Conference	June 4 – 6
Follow-Up Data Requests	June 11
Objections	June 18
Joint Applicants' Responses to Follow-Up DRs (Unobjected)	June 21
Motions To Compel	June 25
Response to Motion to Compel	June 28
Teleconference to Resolve Remaining Disputes	July 2
Joint Applicants' Responses to Follow-Up DRs (Compelled)	July 9
Staff/Intervenor Testimony	July 11
Data Requests on Staff/Intervenor	July 17
Objections	July 24
Motions To Compel	July 31
Staff/Intervenor Data Responses (Unobjected)	August 1
Response to Motion to Compel	August 3
Teleconference to Resolve Remaining Disputes	August 7
Staff/Intervenor Data Responses (Compelled)	August 14
Settlement Conference	July 24-26
Rebuttal Testimony	August 15
Data Requests on Rebuttal Testimony	August 22
Objections	August 27
Motions To Compel	August 30
Response to Motion to Compel	September 5
Teleconference to Resolve Remaining Disputes	September 7
Data Responses on Rebuttal Testimony (Unobjected)	September 7
Data Responses on Rebuttal Testimony (Compelled)	September 12
Hearing on Merits	September 17-28
Simultaneous Briefs	October 12
Simultaneous Reply Briefs	October 31

II. POSITIONS OF THE PARTIES AND STAFF

A. FairPoint

FairPoint stated that it believes the proposed transfer is a win for all constituencies, including consumers, employees, stockholders and the state of New Hampshire, generally. FairPoint claimed that the transaction is structured to take advantage of certain tax benefits which would result in FairPoint paying less for the assets, leaving more money available to invest in the New Hampshire network. FairPoint pointed out that the availability of such tax benefits requires the company purchasing the assets to be smaller than the company selling the assets, and when the transaction is complete, the seller's stockholders must own more than fifty percent (50%) of the surviving post-merger entity. FairPoint maintained that the result would be a financially strong company. FairPoint emphasized that although it would be taking on approximately \$1.7 billion in debt, it will also receive \$1 billion in infusion of new equity, which it believes is a reasonable capitalization. FairPoint stated that the new company would focus on the Northern New England region, and that it intends to bring jobs, make new investments in the network, bring broadband to rural areas, and improve outside plant maintenance.

FairPoint indicated that it was aware that the electric companies have raised the question of whether ownership of poles and related maintenance responsibilities should be taken over by the electric utilities. FairPoint emphasized that it does not want that result, and asserted that it wants solid, stable joint pole agreements, and intends to fully perform the obligations under those agreements.

Other commitments FairPoint professed it would undertake after the merger include maintaining salaries and benefits for non-union employees, honoring current union contracts for

represented union employees, and honoring existing retail and wholesale tariffs and interconnection agreements.

In conclusion, FairPoint asserted that during the course of this docket it can and will prove to the Commission that it can deliver jobs, broadband, network improvements, orderly transition, and improved service quality.

B. Verizon

Verizon New Hampshire (Verizon) stated that it requests jointly with FairPoint the Commission's approval for the transfer of Verizon New England's (Verizon NE's) local and long-distance business in New Hampshire to FairPoint. Verizon indicated that relevant statutes include but are not limited to RSA 374:30 regarding asset transfers; RSA 374:26 regarding approval to commence business; RSA 374:28 regarding the discontinuance of service; and the designation of the relevant FairPoint subsidiary as an "eligible telecommunications carrier" under the Telecommunications Act of 1996.

Verizon avowed that the transfer to FairPoint would result in no net harm and would be for the public good. Verizon reminded the Commission that the "no net harm" test requires that the Commission approve the transaction when the public interest is not adversely affected, after a balancing of relevant facts. Verizon added that the company believes there will be no net harm as a result of the impending sale.

Finally, Verizon reminded the Commission that the agreement and plan for merger provides for the transfer of assets by the close of 2007, and requested that the Commission's review be undertaken in a manner that would permit a careful analysis of the issues, while permitting the merging entities to honor the scheduled completion of the transaction.

C. DSCI

DSCI stated that it is a competitive local exchange carrier (CLEC) with a substantial resale business with Verizon in New Hampshire. DSCI claimed that it would like to explore in the course of this docket the nature of the obligations FairPoint will be taking on with respect to wholesale service. DSCI emphasized its concern that if problems arise regarding FairPoint's delivery of services, DSCI end-users would be affected. DSCI stated it would like to explore what commitments will be made and what conditions the Commission might impose on the proposed transaction.

D. BayRing and segTEL

BayRing and segTel stated that it was difficult to state a position on the proposed transaction at this time because there are so many issues and unknowns, and that they are concerned primarily with how the proposed transfer will affect the competitive market in New Hampshire and the wholesale obligations of the surviving entity. They stated that the acquisition of a company with over 1.5 million lines by a relatively small company is an ambitious undertaking. In addition, BayRing and segTel alleged that a non-rural ILEC has far more responsibilities than a rural carrier, the most important of which is the duty to interconnect with requesting CLECs and provide unbundled network elements under Section 251 of the Telecommunications Act. They speculated that FairPoint has no experience providing interconnection, unbundled network elements, collocation, resale, and other wholesale services to CLECs. BayRing and segTel claimed that there is very little in the joint application that describes FairPoint's current and prospective commitments to provide such services at the rates, terms, and conditions set forth in Verizon's wholesale tariffs. They maintained that providing wholesale services at a high level of service quality is critical to facilities-based CLECs, and pointed out that CLECs have spent the better part of the last ten years battling with the

incumbent to provide those services, and the Commission has expended substantial resources resolving those disputes. BayRing and segTel stated that now, after many years of litigation, there is a comfortable level of regulatory certainty, and that they do not wish to relitigate all the competitive issues which have been resolved based on the obligations of an incumbent local exchange carrier (ILEC) and a regional Bell operating company (RBOC). They emphasized that uncertainty exists because, CLECs do not know, from the joint application, whether FairPoint will honor the existing wholesale obligations under Verizon's tariff, Commission orders and rules, and federal statutes and rules, or whether FairPoint intends to reserve the right to seek the rural exemption from Section 251 unbundling. BayRing and segTel asserted that they will seek clarification regarding these matters during the course of the docket.

E. Covad

Covad echoed the concerns of BayRing and segTel. Covad claimed that over the past eight years Verizon and Covad have undergone many operational and interfacing changes, with wholesale customers of Verizon having to shift their operating paradigms to meet Verizon's, and now they will have to change their methods of procedure again to meet those of FairPoint. Covad expressed concerns that these additional changes will increase Covad's costs. Covad affirmed that it provides broadband services to customers in New Hampshire based on unbundled network elements and commercially available resale services purchased from Verizon, and asserted that its primary concern is that those services continue in order for Covad to survive in New Hampshire. Covad contended that it does not believe FairPoint has the resources or operational experience to provide the services Verizon currently provides.

F. Otel

Otel noted its concern regarding FairPoint's wholesale obligations to CLECs and affirmed its agreement with the positions of BayRing, segTel, and Covad.

F. NHISPA

NHISPA stated that its members are very concerned about the cost of retail products after the proposed merger, the costs of doing business directly with FairPoint, as well as the wholesale costs of its CLEC strategic partners in New Hampshire. NHISPA also expressed concern about Fairpoint's integration of Verizon's current billing practices and what that may mean for circuit charges and all of the services NHISPA members purchase. NHISPA also indicated its concern about whether FairPoint has the resources to deploy broadband services in the North Country. NHISPA suggested that Verizon had failed to provide broadband services to the North Country, and that they cannot contemplate how FairPoint will accomplish it either.

G. NHTA

NHTA stated that its members did not have a position currently regarding the joint petition, but that their interests include the very substantial and comprehensive relationships they have had with Verizon for many decades. NHTA contended that they wish to ensure that FairPoint understands the wide array and nature of existing arrangements with Verizon and that it is committed to maintaining those arrangements, unchanged, going forward. NHTA maintained that those existing arrangements define the entire nature of the traffic-sharing between NHTA member companies and Verizon and ensure continued revenues to NHTA member companies. NHTA reiterated that they wish to ensure that the wholesale arrangements that FairPoint has represented will "remain largely unchanged" will, in fact, remain completely unchanged with respect to NHTA rural telephone companies.

H. Labor Intervenors

The Labor Intervenors noted that Local 2320 is in New Hampshire, while Locals 2326 and 2327 are in Vermont and Maine. The Labor Intervenors pointed out that all three locals wish to intervene because, depending on system needs, members are obligated to provide services across state lines, pursuant to the Collective Bargaining Agreement, and that the Labor Intervenors are the authorized collective bargaining representatives for the 2,800 employees of Verizon in the three states, 700 of which are employed by Verizon in New Hampshire. The Labor Intervenors noted their opposition to the proposed transaction, asserting that it will have a direct and immediate adverse effect by transferring members from Verizon, “one of the largest telecommunications companies in the world,” to FairPoint, a “thinly capitalized company.” The Labor Intervenors stressed that FairPoint has virtually no experience providing service over a large geographic area containing a diverse mix of business, government, non-profit, and residential customers in the suburban, urban, and rural areas in Verizon’s service territory. The Labor Intervenors specified that it believes that because FairPoint is a highly-leveraged company, it will have great difficulty meeting the significantly higher dividend and debt commitments laid out in the papers while at the same time investing enough capital to improve existing services, to set up entirely new operation and administrative services and systems, and to expand the availability of broadband in New Hampshire. The Labor Intervenors contended that when FairPoint, a “company with a history of poor service quality in New Hampshire and other jurisdictions,” experiences cash flow problems, it is likely to reduce labor force, preventative maintenance, and investments in broadband services, and otherwise allow services to deteriorate.

The Labor Intervenors stated that the issues of concern to its members are broader than employment and that they are dedicated, technical, highly-skilled employees of Verizon who are

available 24 hours a day to meet consumer needs, and are merely asking to be paid fair wages and benefits for providing those services. The Labor Intervenors declared that its members are aligned with the consumers in New Hampshire.

I. PSNH

PSNH stated that its interest in this docket revolves around the fact that PSNH jointly owns a one-half interest in the utility poles with Verizon in the service territories it shares with Verizon. PSNH noted that under the existing arrangement, service territory is divided into maintenance areas where the primary responsibility for setting, maintaining, and replacing poles is divided between the electric and telephone companies, which relationship is currently being explored in an ongoing NHPUC Docket No. DM 05-172, known as the “poles docket.” PSNH indicated that it has made it known to Verizon and publicly in that docket that PSNH is not satisfied with Verizon’s performance with respect to the jointly-owned poles. PSNH would like to explore in this proceeding the no net harm standard with respect to inadequacies in performance and responsibilities concerning the jointly-owned poles.

J. National Grid

National Grid concurred with issues raised by PSNH. In addition, National Grid stated that its interests include assurances that the proposed transfer of Verizon’s landline and long-distance telephone services to FairPoint will not adversely affect National Grid customers.

K. Unitil

Unitil stated that it also jointly owns with Verizon the pole plant in its service territory, which ownership is governed by operating agreements and procedures. Unitil confirmed that it too has expressed dissatisfaction with the operations of Verizon under those agreements and is concerned about how the agreements will be treated under the proposed transaction. Unitil

stated that it believes it is critical, for the purposes of safety, emergency response conditions, expansion, construction and maintenance, that those obligations be reviewed and understood during the course of this docket.

L. Municipalities

The intervening municipalities informed the Commission that they are ultimately charged with responsibility for the administration of public rights-of-way, and that their interest in this proceeding concerns the possible effect the transaction will have on municipalities' ability to discharge that responsibility.

M. NHLA

NHLA stated that it represents a low-income, long-time residential customer of Verizon (an intervenor in Docket No. DT 06-072, regarding Verizon's petition of alternate form of regulation), whose concerns include whether basic local exchange service will remain under rate of return regulation. NHLA maintained that Verizon was seeking to have basic local exchange service and other retail services deregulated, and that NHLA would like to explore FairPoint's intention in this regard. In addition, NHLA stated its concern about whether low use measured residential service rate options currently available with Verizon will continue in the future, following the merger. NHLA expressed similar concerns regarding the federal Link-Up and Lifeline low-income telephone assistance programs. Other issues NHLA intends to explore include the public safety issue of 'soft dial tone,' which provides 911 emergency access when a customer's service is otherwise disconnected, the acquisition by FairPoint of Verizon's public payphone landline business, and service quality. NHLA asserted that participation of New Hampshire low-income customers in the Lifeline and Link-Up programs is extremely low compared to other states, and wishes to explore what FairPoint intends in that regard.

NHLA also suggested that the Commission take notice of certain other dockets that are currently pending with respect to Verizon, including the previously-mentioned alternative form of regulation docket.

N. Cable Group

The Cable Group stated that their concerns include pole attachments, service reliability, entry into the local exchange market, and the effect of the transaction on interconnection agreements.

O. OCA

The OCA noted its charge to represent the interests of New Hampshire's residential ratepayers and stated that it does not have a position on the proposed transaction at this time but plans on undertaking a thorough review of the proposal in all of its aspects during the course of the proceeding. The OCA proposed that it would raise a few issues of particular interest to it, including: whether the franchise transfer is in the public good; whether FairPoint has the necessary financial, managerial, and technical abilities for the undertaking; whether FairPoint will incur debt levels that will impact rates for the company's future financial health; whether FairPoint has concrete plans and the financial ability to address long-standing quality of service issues; what type of regulation FairPoint is seeking in New Hampshire; whether FairPoint will seek an alternative form of regulation for basic local exchange service; how FairPoint plans to finance its commitment to deploy broadband services to the rural and northern areas of the state; whether the transaction will impact interconnection services provided to independent telephone exchange companies; whether the transaction will impact wholesale interconnection products provided to CLECs; whether the transaction will impact universal service funding or other federal issues for delivery of E911 services; how FairPoint intends to implement the many

changes necessary to significantly increase the size of the company to serve Verizon's existing customers; and how FairPoint intends to participate in the Lifeline and Link-Up programs for low-income customers.

The OCA also expressed a strong interest in how four pending Commission dockets regarding Verizon will be affected by this docket (*i.e.*, DT 04-019 regarding quality of service performance; DM 05-172 regarding utility poles; DT 06-072 regarding Alternate Form of Regulation; and DT 06-168 regarding Verizon's Performance Assurance Plan). The OCA noted its agreement with NHLA's position that the Commission take administrative notice of those dockets in this proceeding.

Finally, in response to FairPoint's suggestion that parties be consolidated, the OCA took the position that although it will coordinate with all parties and Staff in this proceeding and will work especially closely with parties with a common interest as that of the OCA, the OCA is required by statute to represent the interests of residential ratepayers and does not believe it appropriate for it to be consolidated with any other party.

P. Staff

Staff stated its support for a careful and circumspect review of the proposed transfer, noting that the very nature and magnitude of the transaction demands an intensive and thorough review of the potential impacts on over a half million ratepayers as well as CLECs operating in New Hampshire. Staff recommended a close review of FairPoint's financial resources, managerial qualifications, and technical competence, with a view toward the proposed assumption of Verizon's obligations and operations. Staff called attention to the open Verizon dockets regarding quality of service, its performance appraisal plan, utility pole practices, its tariff dispute process, obligations under the Telecommunications Act, and classifications of New

Hampshire wire centers, pointing out the far-reaching impact the sale of the Verizon's landline network could have on New Hampshire.

Staff recognized the concerns raised by the various parties who believe they will be directly as well as indirectly affected by the sale, and the potential issues in the areas of workforce, continuity of Verizon's current responsibilities and obligations, and utility pole maintenance and attachments. Staff indicated that they look forward to working with all parties to assist in the review and investigation of this transaction. Staff will seek to develop a recommendation that balances the interests of the State, telephone customers, and the companies that will ensure just and reasonable rates and dependable service.

III. COMMISSION ANALYSIS

We recognize the complexity of the issues involved in the current proceeding and appreciate the efforts of parties and Staff to develop and propose guidelines and schedules to facilitate the efficient and orderly conduct of the docket. We note that Staff's March 7, 2005 report did not mention the possibility of consolidating participation in the proceeding. We will not require consolidation at this time but we will monitor the process and direct consolidation as appropriate.

A. Motions for Intervention

During the prehearing conference held on February 27, 2007, we granted from the bench all motions to intervene through the date of the prehearing conference. On March 6, 2007, the Town of Exeter filed a petition to intervene. As we have not received any objections to that request and the Town of Exeter's interests are identical to those of other municipalities already granted intervention, we will grant that motion to intervene as well.

B. Discovery Guidelines

We have considered the guidelines for the conduct of discovery proposed by the parties and outlined in Staff's March 7, 2007 report and find that they are reasonable and we will accept those guidelines for discovery in this docket. We also find that a waiver of the rules pertaining to discovery dispute timelines will not disrupt the orderly and efficient resolution of matters raised in this proceeding. Accordingly, we grant the request for a waiver of the PUC rules regarding timelines for discovery disputes. We will appoint Anne Ross, Director of the Legal Division, to resolve discovery disputes within the timelines proposed by the parties.

The Parties and Staff shall follow the approved discovery procedures for the duration of the docket, unless otherwise directed. Parties and Staff may make minor agreed-upon adjustments as necessary in the conduct of discovery without seeking Commission approval; however, if a dispute arises regarding any agreed-upon discovery guidelines, the issue must come before the Commission, in writing, for Commission action.

C. Procedural Schedule

We have reviewed the procedural schedule and grouping of issue topics as proposed herein and find that the schedule is reasonable and administratively adequate to address the issues raised in this proceeding. In addition, we will hold several public statement hearings around the State and publish the locations and dates in a forthcoming secretarial letter. Finally, we will give further consideration to the request that we take administrative notice of other proceedings and address that issue at a later time.

Based upon the foregoing, it is hereby

ORDERED, the procedural schedule as outlined above is APPROVED; and it is

FURTHER ORDERED, that the request for a waiver of Puc 203 with regard to

timelines for discovery disputes is GRANTED; and it is

FURTHER ORDERED, that the guidelines for the conduct of discovery are

APPROVED; and it is

FURTHER ORDERED, that Anne Ross, Director of the Legal Division, is

DESIGNATED to resolve discovery disputes that may arise; and it is

FURTHER ORDERED, that the Town of Exeter's Petition to Intervene is GRANTED.

By order of the Public Utilities Commission of New Hampshire this sixteenth day of
March, 2007.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary