

1 regulated rates also applies to CLEC wholesale customers and pole and conduit
2 licensees,” see A.NECTA/CPVT:FP.1-61; and that (2) FairPoint “will not seek to recover
3 costs associated with its modifications to Verizon’s operations and the establishment and
4 implementation of its own systems, including costs incurred under the Capgemini
5 agreement, from wholesale customers and pole/conduit licensees,” see
6 A.NECTA/CPVT:FP.1-62. I want to clarify that while certain costs associated with the
7 Capgemini contract are considered transaction costs and would not be included in future
8 rate proceedings, other costs of Capgemini represent bona fide costs of acquiring,
9 developing and implementing systems which will serve in the place of existing Verizon
10 systems and for which costs are currently allocated to its Vermont operations by Verizon.
11 These other costs, which will be part of the capitalized costs of the systems, under
12 GAAP, would be considered used and useful in future rate proceedings and FairPoint
13 reserves its right to include these types of costs in any future rate proceeding. FairPoint
14 has stated it “does not expect to recover any costs of implementing system changes from
15 CLECs or pole/conduit licenses,” (see A.NECTA/CPVT:FP.1-63). FairPoint also has
16 stated (at A.NECTA/CPVT:FP.1-64) that it will “account for the costs incurred under the
17 TSA as operating expense and will allocate the expenses based on the services provided.”

18 Q25. What commitments has FairPoint made concerning “bundled” packages of services in
19 Vermont?

20 A25. Mr. Nixon explained in his direct prefiled testimony (at 27) that FairPoint “initially will
21 offer the same bundled service offerings of local and long distance,” and that “[o]ver time