

**FairPoint Post-Cutover
Final Status Report
Liberty Consulting Group
September 30, 2010**

Introduction

FairPoint Communications Inc. (*FairPoint*) assumed ownership of Verizon Communications Inc.'s (*Verizon*) wireline business in northern New England on March 31, 2008. FairPoint and Verizon filed for regulatory approval of the transaction in early 2007. By that time, FairPoint had already engaged a systems vendor, Capgemini, to develop and test operations support systems to replace Verizon's support systems. Verizon agreed to continue providing, at FairPoint's expense, access to Verizon's operations support systems and other centralized services through a Transition Services Agreement until FairPoint was ready to "cutover" to the new Capgemini-developed systems and new processes created to replace the Verizon centralized support processes.

The ability of FairPoint to successfully accomplish the transition to the new systems and processes without significant disruption of operations and customer impact was one of the issues raised during the transaction's approval process by the Maine Public Utilities Commission, the New Hampshire Public Utilities Commission, and the Vermont Public Service Board (collectively *State Regulators*). Such a transition involves a large number of complex tasks, including not only the development and testing of the new FairPoint systems and processes but also successful migration of the underlying data from the legacy Verizon systems to the new FairPoint systems, hiring new staff to support the centralized processes, and training new and existing staff on the new systems and processes. No intercompany system and process transition of this scope and magnitude had ever successfully been executed in the U.S. telecommunications industry without significant disruption.

Given these concerns, the staffs of the Maine Public Utilities Commission, the New Hampshire Public Utilities Commission, and the Vermont Department of Public Service (collectively, *Regulatory Staffs*) engaged the Liberty Consulting Group (*Liberty*) to monitor FairPoint's progress in preparing for the cutover from Verizon's systems and processes and to provide an on-going assessment of FairPoint's readiness to cutover. Liberty began the monitoring process during October 2007, meeting frequently with FairPoint and Capgemini, holding calls at least weekly with FairPoint and Capgemini, and holding separate weekly calls with the Regulatory Staffs. Liberty also monitored meetings FairPoint held with the competitive local exchange carriers (*CLECs*). Liberty summarized the status of FairPoint's progress prior to cutover in monthly reports, which were made public by the Regulatory Staffs.¹

¹ Liberty's pre-cutover monitoring reports, which are available on the Maine and New Hampshire Public Utilities Commissions' websites, are dated December 7, 2007; January 14, 2008; February 11, 2008; March 7, 2008; April 10, 2008; May 9, 2008; June 6, 2008; July 11, 2008; August 8, 2008; September 15, 2008;

Upon completion of the transaction's regulatory approval in February 2008, the FairPoint-Verizon transaction closed on March 31, 2008. The cutover from Verizon's systems was originally scheduled to take place on May 30, 2008. However, FairPoint revised the cutover date several times, eventually determining that cutover would occur at the end of January 2009.² At midnight on January 30, 2009, Verizon turned off FairPoint's access to its operation support systems, and FairPoint began the process of transferring data from the Verizon systems, turning up the new Capgemini-developed systems and implementing the new FairPoint processes. The data transfer was completed and the last of the FairPoint systems was turned up on February 9, 2009.³

Shortly after cutover, problems with the operation of the new FairPoint systems and processes became apparent, and the State Regulators and Regulatory Staffs received complaints from customers at unprecedented levels. The most obvious initial problems were with the transition of internet service provider accounts (particularly e-mail accounts) and with the FairPoint call center responsiveness, which was greatly degraded as a result of the large call volumes and initial problems with the use of the new systems. Many of these more prominent initial issues were eventually resolved; however, both retail and wholesale customers continued to experience problems, particularly with ordering, provisioning, maintenance and repair, and billing. Some level of operational problems with the new systems had been anticipated prior to cutover; the extent of the problems and the length of time required to address them, however, was much greater than anticipated.⁴

After cutover, the Regulatory Staffs requested Liberty to monitor FairPoint's progress in resolving these problems. Liberty undertook an intensive review, meeting or communicating frequently with FairPoint, CLECs, and the Regulatory Staffs during 2009 and on a more reduced level since then. Liberty has also produced occasional reports of

October 10, 2008; November 12, 2008; December 15, 2008; January 14, 2009; and January 29, 2009. Liberty also filed a special status report with the Vermont Public Service Board dated January 6, 2009.

² At the same time, FairPoint provided evidence of readiness for cutover to the State Regulators based on a documented "Cutover Readiness Verification Plan" that includes cutover readiness criteria and standards for the company to meet in five key areas: operational support systems, Verizon data conversion, business process documentation, staffing, and training. The verification plan and readiness criteria can be found on the New Hampshire Public Utilities Commission website.

³ During the "dark period" between January 30 and February 9, while no systems were operating, only emergency ordering and provisioning transactions were allowed. Maintenance and repair was managed manually without system support for both retail and wholesale customers. As discussed in more detail in Liberty's April 1, 2009 Post-Cutover Status Report, a number of customer problems resulted from a breakdown in the process FairPoint used to manage the provisioning of the non-emergency retail and wholesale customer requests for services initiated immediately before and during the dark period and that were held in queue during this period.

⁴ Facing a number of financial stresses, FairPoint announced on October 26, 2009 that it had reached agreement with its lenders and initiated a voluntary Chapter 11 proceeding. As of the date of this report, FairPoint had not yet successfully completed the approval process of its Restructuring Plan to emerge from Chapter 11.

FairPoint's progress since cutover that have been made public.⁵ Liberty's work monitoring FairPoint is now ending. The present report provides Liberty's final assessment of FairPoint's status, including identification of several issues that continue to be of concern.

Service Quality Trends

In order to assess the trends in service quality since FairPoint assumed ownership of the northern New England wireline operations previously managed by Verizon, Liberty reviewed Verizon's publicly available retail quality of service (*QoS*) reports and wholesale Carrier-to-Carrier (*C2C*) reports filed as required by the State Regulators beginning in 2006 or 2007, depending on the report, and continuing until close of the Verizon-FairPoint transaction in March 2008.⁶ Liberty compared Verizon's results with those reported by FairPoint in the same *QoS* and *C2C* reports from April 2008 through July 2010. Liberty concentrated on the data associated with processes for which retail and wholesale customers complained of degraded performance during and after cutover.

Because the retail *QoS* and wholesale *C2C* reports do not measure all aspects of the processes involved, review of the data from these reports cannot address all the issues that have arisen. This is especially true for such processes as billing, for which the available measurements are especially limited. In addition, the *QoS* and *C2C* measurements report the quality of only some of the relevant processes; for those processes covered, most measurements report results for a limited set of the products and services or are aggregated over a large range of products and services, obscuring the results at the detailed product or service level. Liberty also examined the specialized confidential "Stabilization Reports" that the Regulatory Staffs requested FairPoint to provide shortly after cutover and continuing to the present, which were originally reported daily and are now reported weekly. There is now also a public Bi-Weekly Report containing some of the same data as the confidential weekly reports plus some additional data. These Stabilization and Bi-Weekly Reports provide more detailed data for some processes that help to supplement the information in the *QoS* and *C2C* reports.

It is also important to note that the *QoS* and *C2C* reports were produced using Verizon's systems during the period of Verizon's ownership and after transfer of ownership until cutover at the end of January 2009. Since cutover, FairPoint has used its own systems to produce the reports. Although Verizon's wholesale reporting systems have been the subject of a number of audits, FairPoint's reporting systems have never been audited. Given the problems with FairPoint's systems after cutover, it is necessary to be somewhat cautious about the use of the FairPoint-reported results.⁷ Liberty is aware that FairPoint

⁵ These reports are dated April 1, 2009; July 13, 2009; September 2, 2009; September 8, 2009; October 28, 2009; December 23, 2009; and January 12, 2010.

⁶ Liberty appreciates the help of the State Staffs and FairPoint in making the data from these reports available for analysis.

⁷ FairPoint has also acknowledged some errors in its reports; for example, the company has issued restatements and revisions to some of the New Hampshire retail service quality metrics.

has been working diligently to eliminate errors in the reports. As a result, although it is possible that there may be some errors remaining in the reports, Liberty believes that these reports provide information that is accurate enough to support the qualitative nature of Liberty's conclusions, particularly for more recent reported data.

As part of this analysis, Liberty has supplemented the reported service quality measurements with qualitative information received from the Regulatory Staffs during weekly meetings. This includes information from customer complaints, which have remained at higher levels than before cutover, although much reduced from the levels seen in the first months following cutover. Liberty has also considered information on wholesale service quality from observations of FairPoint's regular calls with the CLECs. Additionally, at the request of the Regulatory Staffs, Liberty gathered a list of current CLEC issues during April 2010 and shared these with FairPoint to determine the current status of the issues, most of which FairPoint indicates have either been addressed or are in the process of being resolved.⁸

Call Centers

One of the most severe problems FairPoint faced immediately after cutover was a high level of call blocking and long call answering delays in its call centers (the Consumer, Business, and Repair Call Centers and special call centers established for internet services inquiries). This poor performance was largely driven by the high call volumes, resulting from problems customers experienced at cutover and other customer inquiries. The poor call response times in the Consumer and Business Call Centers (*business offices*) and the Repair Call Center (*repair center*) were exacerbated by problems with the new FairPoint systems' performance and effectiveness and the FairPoint customer service representatives' limited experience with the new systems. These factors led to a significant lengthening of the average time FairPoint customer service representatives spent on the calls with customers and hampered the ability of the representatives to address the customers' inquiries. FairPoint slowly improved its call center performance in the first few months after cutover through improved training, system defect fixes, and other call center management initiatives.

Figure 1 below shows one measure of call center performance: the percentage of calls answered in longer than 20 seconds, as reported in Maine, for both the business offices and repair center. The call center service quality measures reported in New Hampshire and Vermont are largely consistent with these results. The data series shown in the figure contains a period of results under Verizon ownership (July 2006 through March 2008) continues into a period of FairPoint ownership with Verizon's operational support systems (April 2008 through January 2009), and concludes with the period beginning at the cutover to FairPoint's systems (February 2009) until July 2010. The graph clearly shows the impact of cutover on both the business offices and repair center, with a large degradation of performance (*i.e.*, a large increase in the percentage of calls not answered

⁸ There were also a few issues over which the CLECs and FairPoint disagreed, but the number of those issues was relatively small.

in 20 seconds). The business office centers were the first to recover, with call answer performance reaching pre-cutover levels by the summer of 2009. The repair centers did not reach pre-cutover levels until the fall of 2009. FairPoint has attributed part of the delay in the repair center’s performance recovery to weather impacts during the early summer of 2009, leading to large call volumes.⁹ Since the fall of 2009, FairPoint’s call center performance, as measured by speed of answer, has been generally good, with results on par or exceeding Verizon’s results prior to the change of ownership.

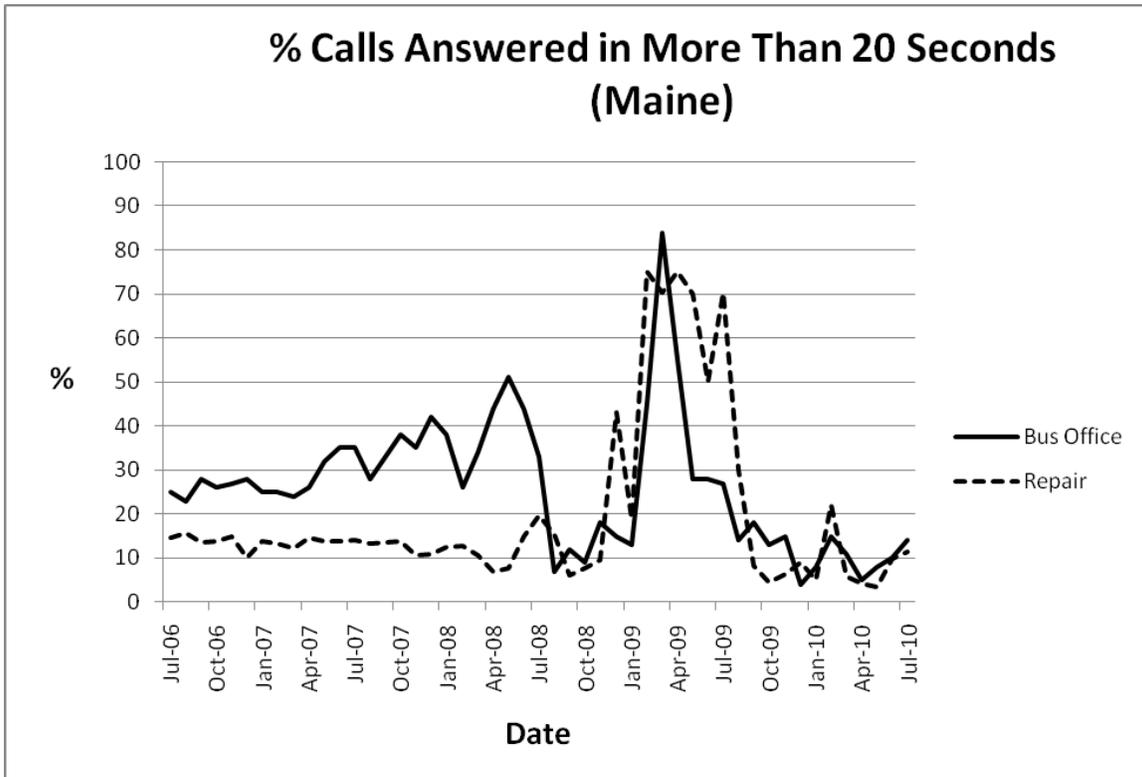


Figure 1

It is important to note that call answer speed is only one measure of service quality for the call centers. At the time of cutover and afterwards, customers complained that they were sometimes unable to receive good service from the centers even when they could reach them. This may have resulted from the issues with system performance and the calls representatives’ inexperience with the systems after cutover, which now appear to be mainly resolved. However, Liberty knows of no direct measures of the quality of service provided after customers reach the call centers and therefore cannot address how much that may have improved since cutover.

Ordering and Provisioning

⁹ The impact of weather events on call volumes is shown in the decreased repair center call answer responsiveness even before cutover during December 2008 and in February 2010, after FairPoint’s performance generally returned to pre-cutover levels .

Ordering and provisioning is another business area that began to show degraded performance after cutover. FairPoint's ordering and provisioning difficulties stemmed from a number of factors, among the most significant of which were:

- Errors, gaps, and inconsistencies in the data as converted from the Verizon systems, which prevented "flow-through" in the new FairPoint systems; that is, these data issues caused service orders that were designed to be handled largely by the FairPoint systems to "fall out" for special manual handling from the planned system flow.
- Defects and inefficient design of the new FairPoint systems resulting in excessive manual handling of service orders.
- Insufficient experience and training in the new systems for FairPoint staff members.
- Much larger than expected manual handling of service orders as a result of the factors noted above, poor design of the manual order processing, and inadequate management of the manual service order queues.
- Inadequate error checks in FairPoint's front-end systems allowing faulty orders to enter the system that should have been rejected for error correction.

Figures 2 and 3 below provide information about one measure of ordering and provisioning performance: the percentage of installations appointments not met for retail POTS service orders. The first of these figures shows the results in New Hampshire and Vermont beginning in 2007 and continuing until the summer of 2010 based on the FairPoint retail service quality reports in those two states.¹⁰ The second figure shows the results for the same period in Maine; in that state, FairPoint reports the results separately by whether the provisioning is accomplished in a fully mechanized fashion or whether it requires a premises visit. The figures show a very similar pattern across the three states, with a relatively small percentage of installation orders not met (typically around two percent overall and less than 0.1 percent for fully mechanized provisioning) during the period of Verizon ownership (before April 2008) and the period of FairPoint ownership during which the company used the Verizon systems (April 2008 through January 2009). At cutover, there was a dramatic rise in the percentage of appointments not met, reaching close to 60 percent overall and 30 to 40 percent for fully mechanized orders. The Maine results show that cutover affected both mechanized and premises provisioning, although the proportional¹¹ impact was much larger for mechanized provisioning, as is expected because the cutover problems were largely caused by systems issues. Liberty's examination of the Stabilization and Bi-Weekly Reports indicates that late provisioning exceeded 80 percent immediately after cutover for some service types.

¹⁰ In New Hampshire, FairPoint reports the percentage of installation appointments *met*. The figure shows the complement of this data in order to provide a direct comparison to Vermont and Maine, in which the company reports the percentage of installation appointments *not met*.

¹¹ In other words, the mechanized provisioning results changed by a much larger factor over the pre-cutover levels than the premises provisioning results, although the absolute value of the change for premises provisioning was larger. As can be seen from Figure 3, the percentage of installations not meeting appointments for mechanized provisioning is inherently much smaller than for premises provisioning.

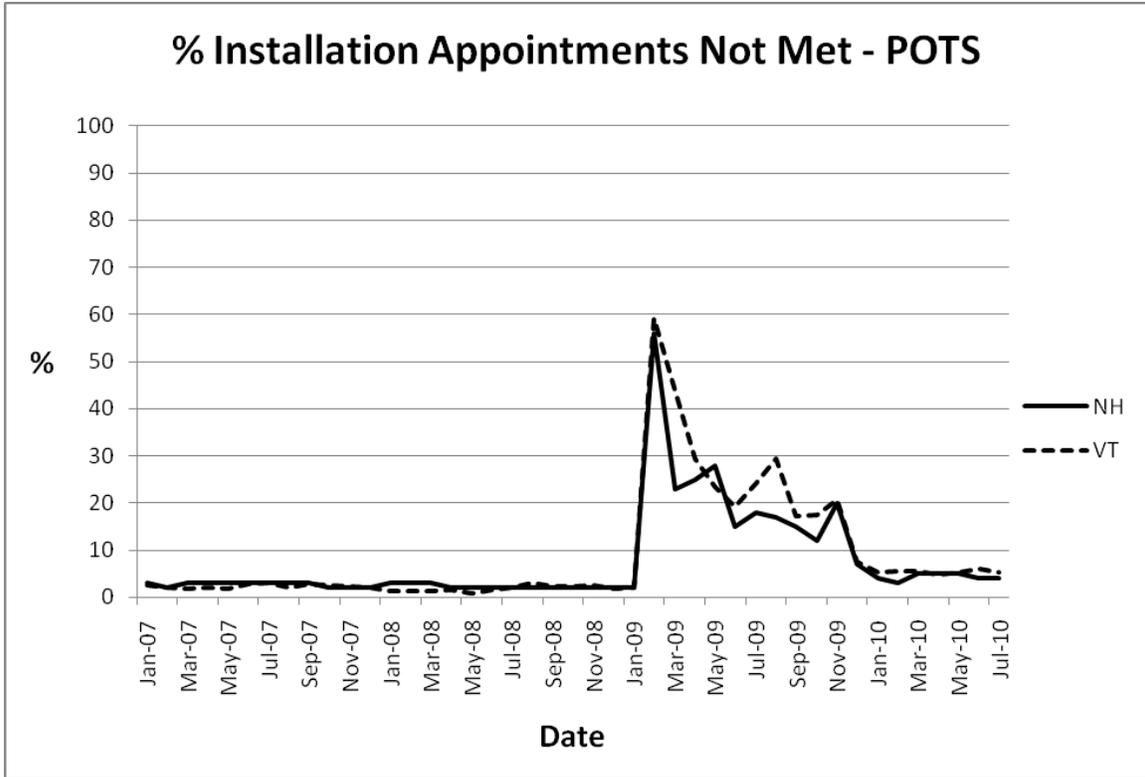


Figure 2

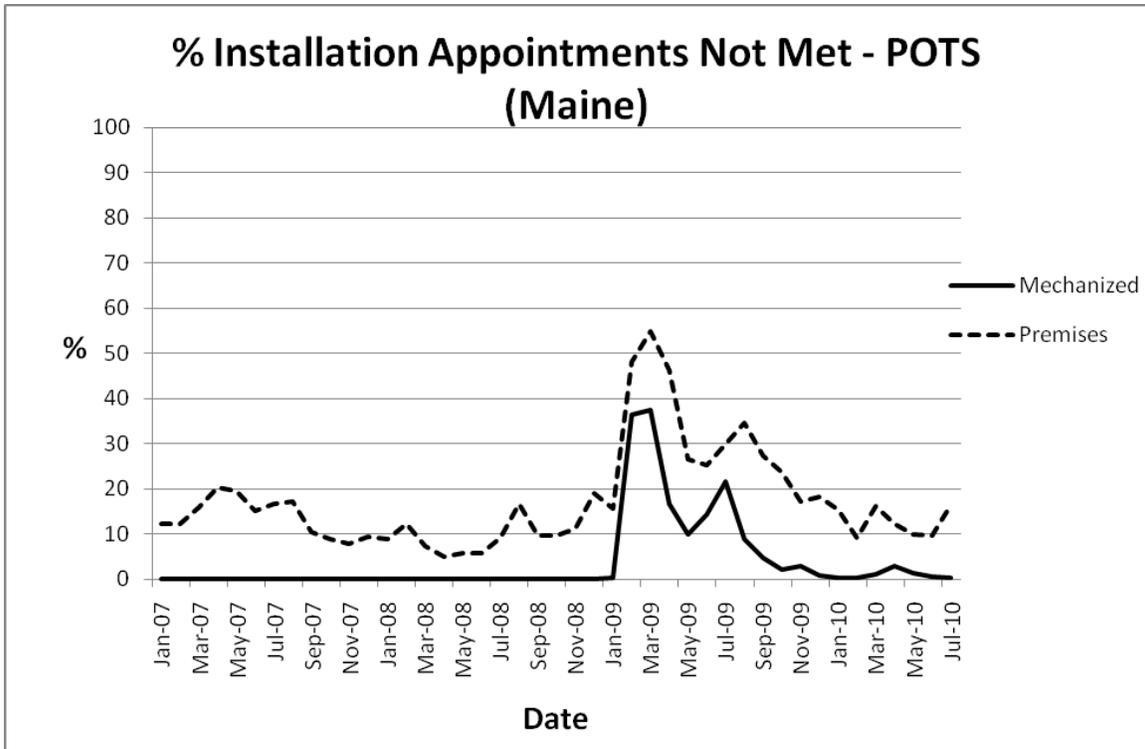


Figure 3

Through a combination of system and process improvements, FairPoint has significantly improved its provisioning performance since early 2009. The figures show that during 2010 the percentage of installation appointments not met for POTS orders is approaching the pre-cutover levels, although still worse than that level (about five percent overall during 2010 as compared to two percent before cutover and around one percent for mechanized orders in 2010 as opposed to less than 0.1 percent before cutover.) Liberty's examination of the Stabilization and Bi-Weekly Reports indicates that FairPoint's performance has also improved significantly for non-POTS retail services. On-time performance for DSL orders by the summer of 2010 was generally exceeding 90 percent. For other more complex retail orders, FairPoint's summer 2010 on-time performance has been lower, at 75 to 80 percent, but still considerably improved over early 2009 numbers.¹² Liberty is not aware of any pre-cutover reporting of performance for non-POTS retail services; therefore, it is not possible to directly compare the post-cutover numbers with pre-cutover levels. However, in Liberty's experience, the mid-summer 2010 performance for non-POTS services is still somewhat worse than industry norms.

The C2C reports of FairPoint's performance in provisioning wholesale services show similar overall patterns as those for retail services. As an example, Figure 4 displays reported results for the PR4-04 metric (Percent Missed Appointments). For many metrics, the C2C reports show results separately by major product or product category. In the figure below, Liberty displays the PR4-04 results for one of the more common CLEC services, unbundled loops.¹³ As with the retail graphs shown above, the overall pattern is consistent among the three states: the percentage of missed appointments rose dramatically after cutover. During 2010, the performance has begun to approach the pre-cutover level, but is still worse than the pre-cutover performance level.¹⁴ Liberty's examination of the Stabilization and Bi-Weekly Reports shows the same patterns and indicates that FairPoint's on-time provisioning performance for services other than number porting and directory listings has typically been between 80 and 85 percent during the summer of 2010.¹⁵

¹² Unlike the QoS and C2C Reports, the measurements of late orders in the Stabilization and Bi-Weekly Reports include disconnect orders that are late; disconnect orders were included in these special reports because of the potential for late disconnect orders to cause errors in customer bills.

¹³ The C2C data Liberty had for this analysis had gaps in the early period shown in this chart, particularly in Maine and New Hampshire. Liberty also notes that the data reported for the first several months after cutover (February through May 2009) show some anomalous results as compared to the equivalent retail reports and other information Liberty has about FairPoint's performance during this period. It is possible that this reflects reporting errors in the period shortly after cutover.

¹⁴ The overall results for unbundled loops are also worse than those for retail POTS, but this was also true before cutover. Because of the different provisioning requirements for these services, they cannot be directly compared.

¹⁵ FairPoint's on-time provisioning performance for number porting and directory listing orders typically exceeded 95 percent during the summer of 2010.

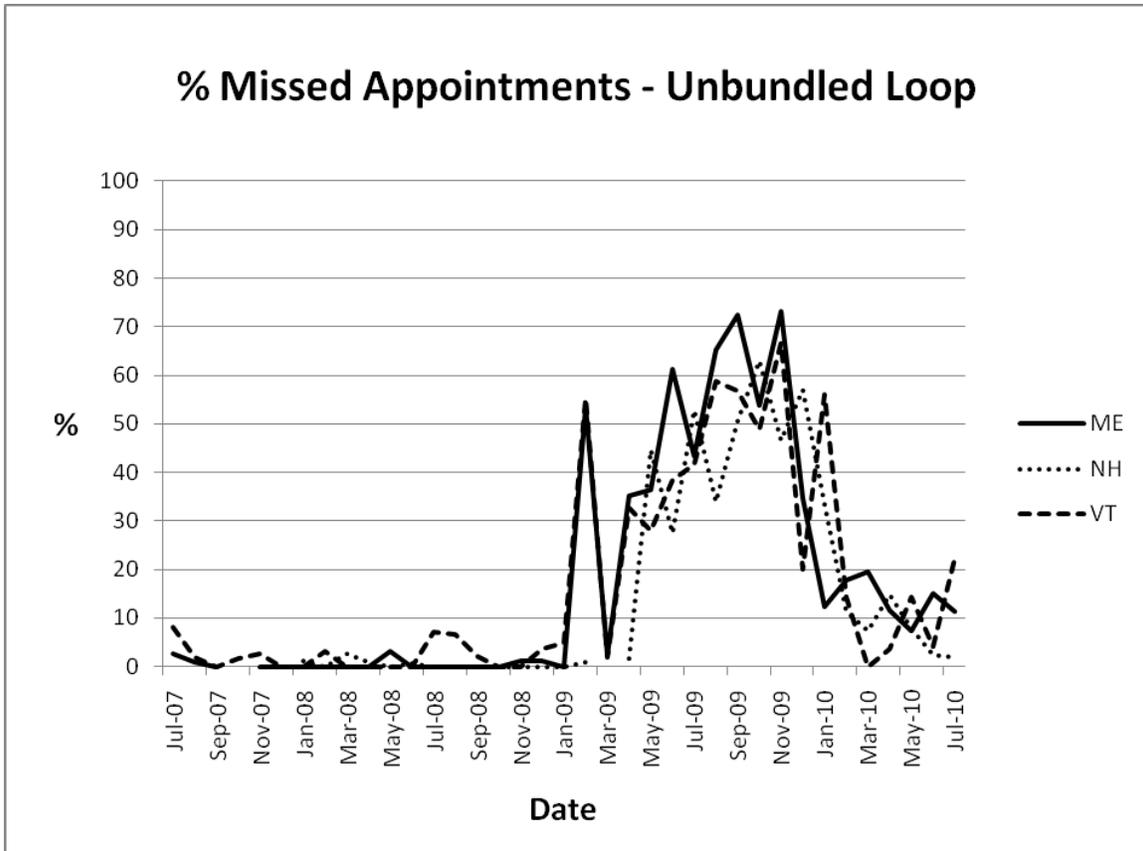


Figure 4

The Stabilization and Bi-Weekly Reports also show the status of very late orders (those late more than 20 days) for both retail and wholesale services. These reports show that the number of such orders has also significantly decreased during 2010. Prior to the spring of 2010, these very late orders typically accounted for anywhere from 20 to 70 percent of FairPoint’s late orders across all services. FairPoint has been able to reduce these levels down to around 10 percent or less for all services except for more complex retail and wholesale orders.¹⁶

There are other provisioning functions that are unique to wholesale, including the use of “notifiers” that inform the CLEC of the progress of orders; these include firm order confirmations (*FOCs*), provisioning completion notices (*PCNs*), and billing completion notices (*BCNs*). Shortly after cutover, CLECs reported notifier problems, including missing notifiers and premature PCNs and BCNs (*i.e.*, a completion notice issued to the CLEC before its customer’s service is actually provisioned). Figure 5 shows the C2C-reported results for notifier timeliness in Maine. The New Hampshire and Vermont results are very similar. The figure displays the reported results for the metrics OR-1-02 (Percent *FOCs* On Time) for unbundled loops, OR-4-16 (Percent *PCNs* Sent Within One Day of Provisioning) and OR-4-17 (Percent *BCNs* Sent Within Two Days of Billing

¹⁶ Because the measurements reported in the Stabilization and Bi-Weekly Reports were not reported before cutover, Liberty cannot easily compare these results to pre-cutover levels.

Completion). At cutover, notifier timeliness degraded significantly and remained poor throughout most of 2009. The numbers are, however, now approaching or on par with pre-cutover levels.

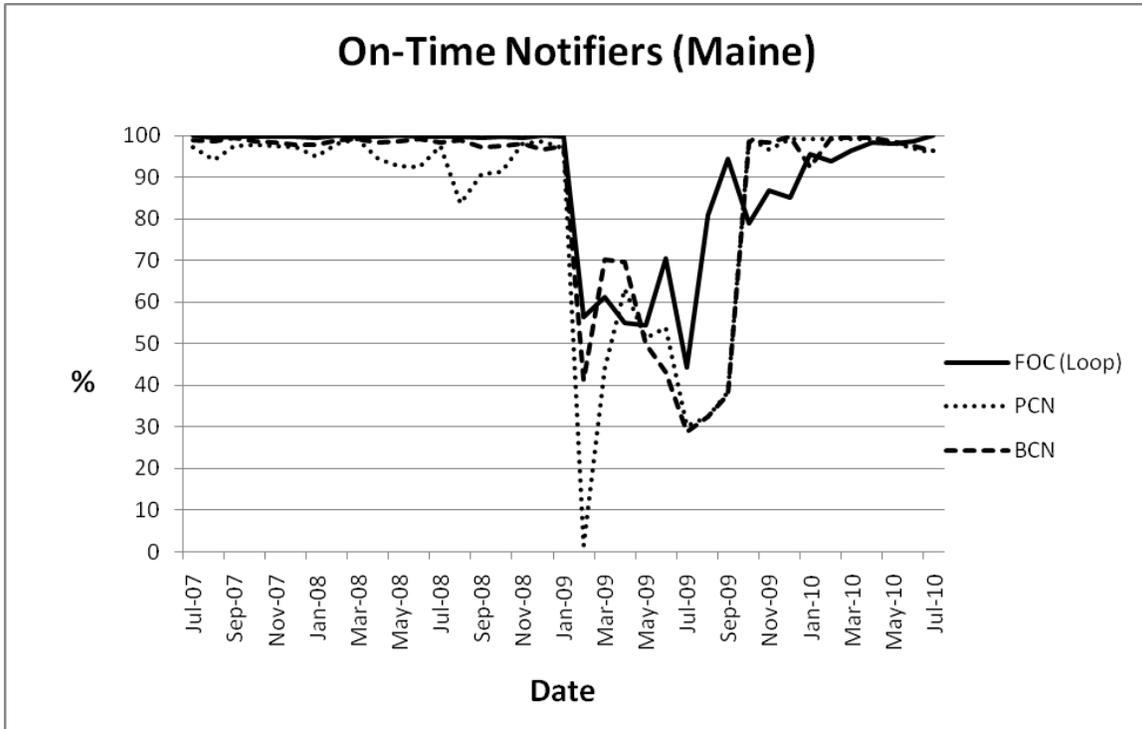


Figure 5

In addition to notifier performance issues noted above, CLECs have reported other problems related to ordering and provisioning that are unique to wholesale service ordering. These include but are not limited to:

- Problems with response times and accuracy for various “pre-ordering” queries, such as customer service record requests, loop qualification inquiries (*i.e.*, whether loops qualify for high bandwidth services), address validations, telephone number reservations, and directory listing inquiries.
- Problems with other order status notifiers, such as order rejection and jeopardy notices.
- Error messages from failed transactions that provided limited useful information for resolving the error.
- Missing line loss notifications (*i.e.*, notifications of customer losses).
- Problems resolving issues with the FairPoint support personnel.

Liberty has noted, based on periodic monitoring of the regularly scheduled calls FairPoint holds with the CLECs and review of the list of issues the CLECs provided the Regulatory Staffs in April 2010 and FairPoint’s response to those issues, that most of the early problems have been resolved and the number of additional critical issues reported since 2009 has significantly decreased. Many of the remaining issues appear to be caused by database issues, including data errors and gaps and the synchronization of data among the

databases FairPoint's systems draw from to complete transactions. As discussed below, FairPoint is currently pursuing internal projects intended to address such issues.

Maintenance and Repair

Maintenance and repair (M&R) is another business function for which performance degraded significantly after cutover. The underlying causes for M&R issues were similar to those for provisioning, including system defects, database and equipment inventory discrepancies, and lack of experience with and insufficient training in the new systems. Figures 6 and 7 show some QoS measures of M&R performance for retail customers in New Hampshire (Mean Time to Repair) and in Vermont (Percent Troubles Not Cleared in 24 Hours). These figures show that the degradation in M&R performance for retail customers was not as dramatic as for provisioning and that the M&R performance in mid-2010 has been generally equal to or better than the level performance under Verizon's ownership. The retail M&R measurements reported in Maine show similar behavior.

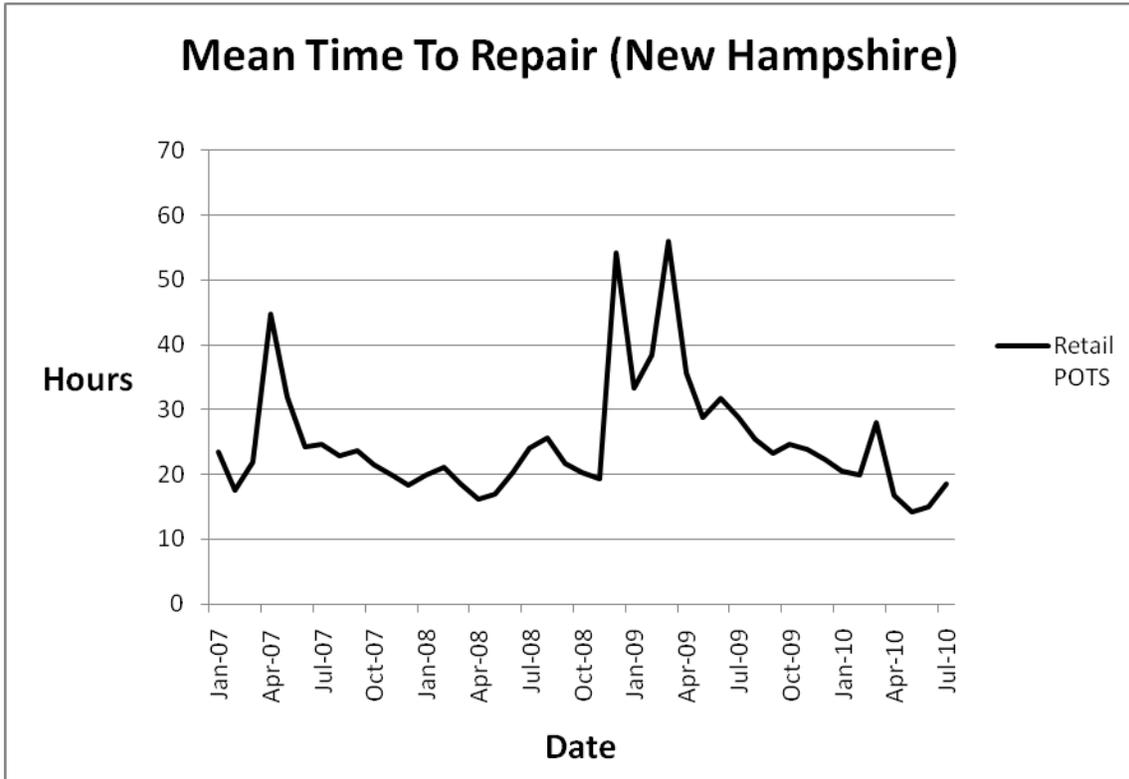


Figure 6

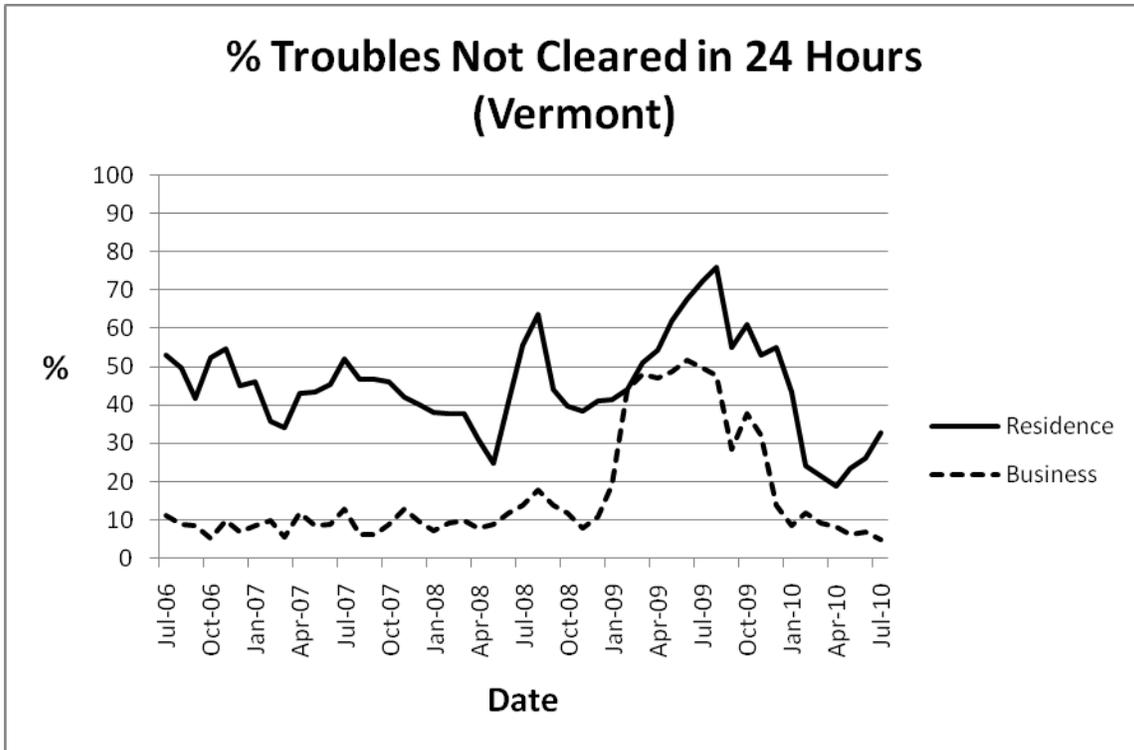


Figure 7

Figures 8 and 9 show some measurements of wholesale unbundled loop M&R performance derived from the C2C reports: Mean Time To Repair (MR4-01) for unbundled loops and Percent Out of Service for Greater Than 24 Hours (MR4-08). These graphs show behavior that is very similar to that for retail: some degradation of performance after cutover but a return to pre-cutover levels or better during 2010. The degraded M&R performance after cutover appears to be related mainly to the impact of system performance on repair dispatching. Once the systems problems were largely resolved, FairPoint’s performance has improved dramatically. As before cutover, the remaining performance problems appear to be mainly weather-related.

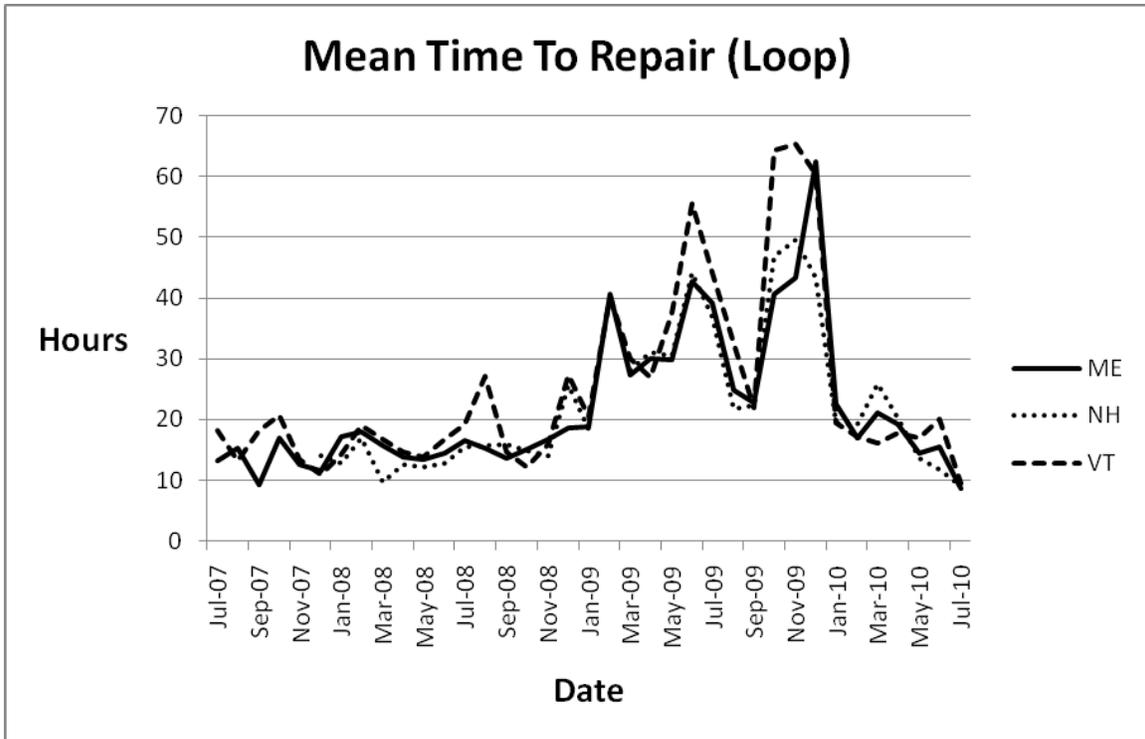


Figure 8

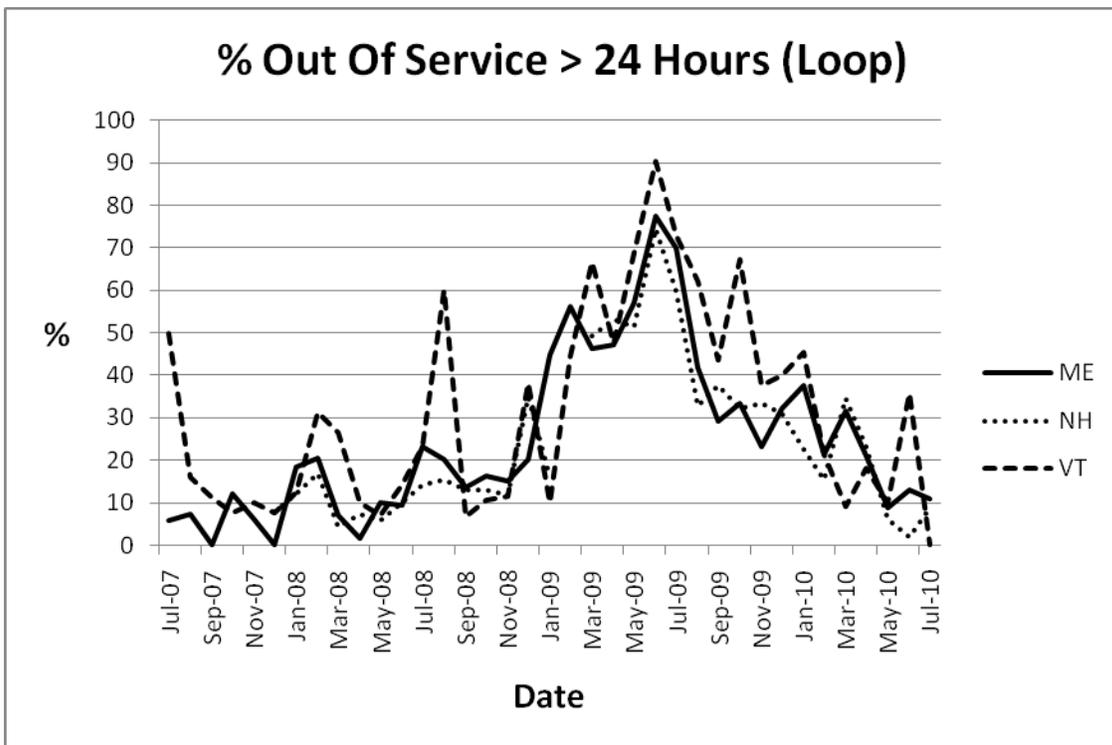


Figure 9

As FairPoint has noted, the systems problems at cutover had no significant impact on overall performance of the network. One M&R measure that demonstrates this is the

trouble report rate, which is shown in Figure 10 for all three states. As can be seen, there is no obvious impact of the cutover on the trouble report rate. The largest trouble report rate, in fact, occurred *before* cutover (for December 2008 in New Hampshire), and is likely to be weather-related.

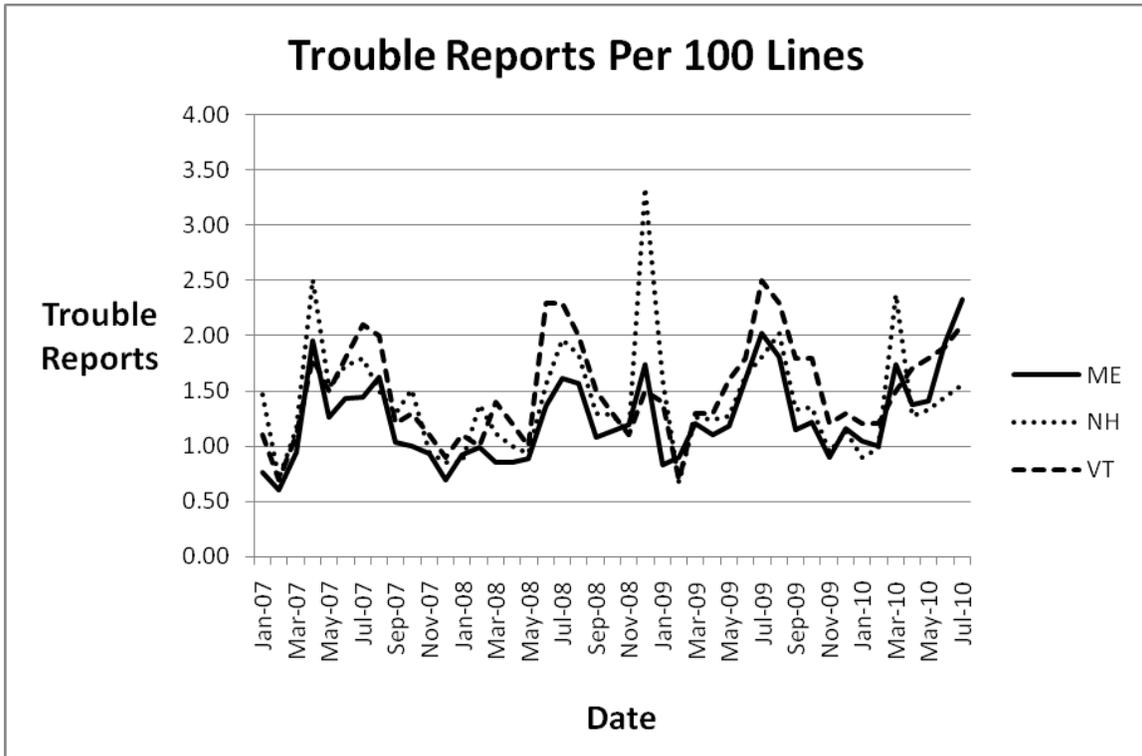


Figure 10

Billing

When the first bills were created by the new FairPoint systems after cutover, billing-related complaints from retail and wholesale customers dramatically increased. Initial complaints principally concerned missing and delayed bills; however, billing inaccuracies and other discrepancies also quickly became apparent. Billing problems have continued to be one of the largest sources of customer complaints to the State Regulators. Reported retail billing discrepancies cover a wide range of issues, including, among other issues, continued bills after service has been disconnected, incorrect usage charges, incorrect rates, inaccurate or missing call detail, payments not credited to the bills, and collection activities undertaken although the billing was inaccurate. As Liberty has noted in earlier post-cutover monitoring reports, some of the billing problems likely result from the provisioning problems noted above. For example, delayed or inaccurate provisioning can cause apparent errors in bills and continued billing after service disconnection.

CLECs have noted similar issues, including, among other issues, late and missing bills, incorrect payment credits, billing for disconnected products and services, billing for

customers of other CLECs, missing daily usage file records, problems with the dispute resolution process, and inaccurate recording of the level of traffic terminating to FairPoint. As with other issues CLECs provided to Liberty and the State Staffs in April, FairPoint generally acknowledged that the problems had existed but indicated that they are either resolved or a resolution is in progress.

Shortly after cutover, FairPoint initiated a program to review samples of both retail and wholesale bills before they were issued to identify and correct errors and uncover and fix any system defects that might be causing the errors. Later in 2009, as noted in the next section, FairPoint began a large scale review of the data converted from the Verizon systems to identify and correct missing and erroneous data elements and data inconsistencies across systems. These efforts are continuing, but the work to date appears to have been helpful in reducing billing problems, although reported data indicate that some problems remain. One measure of continuing billing discrepancies is the level of billing adjustments. Information about such adjustments is contained in the Stabilization and Bi-Weekly Report, which show that the level of billing adjustments remains relatively high.

FairPoint's Remediation Activities

When the post-cutover system and process problems became apparent, FairPoint established task teams to address the problems and worked with Capgemini to correct system errors and improve system performance. Initially FairPoint managed this work in a largely ad hoc, reactive fashion, but the initial activities allowed the company to resolve many of the immediate problems. Nevertheless, persistent issues remained, particularly in provisioning and billing, which required more systematic approaches. In particular, both retail and wholesale customers continued to complain about billing errors, service provisioning errors, and very long delays to provision services. Many of the provisioning and billing problems appeared to result from errors in the conversion of the data extracted from the Verizon systems. Such data errors can cause erroneous bills and prevent orders from flowing through FairPoint's systems in the automated fashion that was originally planned. When orders encounter such errors, they fall out for manual handling to correct the errors and move them to provisioning, which often results in delays in service provisioning and is susceptible to human error. Furthermore, FairPoint's initial lack of a systematic procedure and adequate staffing to address such fallout caused many orders to be neglected for long periods before they were moved to provisioning.

Gradually during 2009, the company began systematizing its approach to resolving the remaining problems. By the fall of 2009, FairPoint had established an end-to-end provisioning team to proactively identify and fix the root causes of FairPoint's provisioning problems to resolve the large backlog of orders. The company also developed a proactive bill review process to reconcile some of the data affecting billing. At the same time, the company hired Accenture to review its problems and recommend solutions; Accenture provided its recommendations at the end of November 2009. The Accenture proposals, which included some specific measures to address a subset of the

remaining provisioning and billing problems, were incorporated into a Customer Delivery Improvement Plan (*CDIP*) initiative, which the company expects to complete soon. Additionally, FairPoint held face-to-face working sessions with the CLECs in September 2009 to identify, prioritize and address their issues. FairPoint has continued to track its resolution of these issues since that time. In July and August 2010, the company held another set of sessions with the CLECs.

FairPoint has also undertaken other internal initiatives to help resolve the remaining systems, process, and data issues. A particularly important current internal project is one to resolve data discrepancies in FairPoint's systems that were not addressed by the CDIP initiative. This project is intended to assess the data quality in each of FairPoint's key operations systems and databases, identify data discrepancies between the systems, analyze and correct the discrepancies found, develop system changes for root-cause resolution, and continue to monitor systems for continued data quality. FairPoint has established priorities for its data clean-up under this project, first addressing the discrepancies that directly affect customers. FairPoint expects to complete this effort during the first half of 2011.

FairPoint's provisioning and billing performance is faster, more accurate, and more reliable when customer service orders can "flow through" automated processes without manual intervention. Continuing system defects and data errors, inconsistencies, and gaps increase the need for manual handling, which causes provisioning and billing performance to suffer. FairPoint provides information in the Stabilization Reports on the percentage of orders that flowed through FairPoint's systems without manual handling that were designed to do so. These reports show that FairPoint has significantly improved the level of flow-through since cutover, but there has been relatively limited improvements since late 2009. This may indicate that remaining data errors and discrepancies (and possibly system defects) are continuing to affect FairPoint's ability to process orders automatically, despite the company's recent and continuing efforts to eliminate these problems.

Summary and Status Assessment

The cutover to the new FairPoint systems and processes at the end of January 2009 caused considerable degradation in the quality of many services provided to both retail and wholesale customers. The overall quality of the network appears to have been largely unaffected by the cutover. If customers made no change to their service, they were able to continue to make telephone calls without disruption; the overall level of reported troubles appears also to be unaffected. However, if customers tried to initiate or change their service or report troubles, they quickly began to experience problems, including the inability to contact and have their issues resolved expeditiously at FairPoint's call centers, slow and incorrect provisioning of service orders, and slow resolution of troubles. Many customers also received incorrect and late bills. These problems existed both for retail and wholesale customers, with some additional problems for wholesale

customers because of the unique nature of the transactions between those customers and FairPoint.

Gradually during 2009, FairPoint resolved most of these issues and during 2010, the quality of service has much improved. The reported data indicate that the ability of customers to quickly access the FairPoint call centers is now at levels that are equal to or better than that provided by Verizon. The service quality data indicate that this is also true for quality of maintenance and repair. However, issues remain for both service provisioning and billing. For these functions, the service quality reports and other evidence indicates significant improvement since the immediate post-cutover period and the level of service throughout the remainder of 2009, but the service quality has not yet returned to pre-cutover levels.

FairPoint has taken and is continuing to take steps to address the remaining provisioning and billing problems. The company has initiated proactive processes in an attempt to identify and resolve the root causes of these problems before they affect customers. FairPoint is also pursuing other internal projects to find and eliminate system defects; correct data errors, gaps, and inconsistencies; and identify and correct any process inadequacies. Such projects are very important. Until FairPoint can correct and synchronize all the customer account and equipment inventory detail found in its systems, the company will continue to produce erroneous bills and prevent service orders designed to flow through from doing so, increasing order processing costs, the potential for human error, and missed service commitment dates. FairPoint's internal projects appear to be providing good results. However, it is important for FairPoint to continue to vigorously pursue these and other relevant projects with the goal of returning provisioning and billing quality to pre-cutover levels. Because of its effect on both provisioning and billing quality, FairPoint should also continue to focus on increasing the level of service order flow-through.