



State of New Hampshire
Public Utilities Commission

Docket No. DT 10-025
FairPoint Communications, Inc., et al.

Respondent: Lisa R. Hood
Title: Interim Chief Financial Officer

ORAL DATA
REQUEST: ODR-3

Why is it in the public interest for the NH Commission to grant FairPoint’s requests to allow Northern New England Telephone Operations LLC (“NNTO”) to pledge to the secured lenders the membership interests in Telephone Operating Company of Vermont LLC (“Vermont Telco”)?

DATED: May 14, 2010

REPLY:

The grant of this authorization allows FairPoint to meet the terms of a negotiated settlement in FairPoint’s bankruptcy case with the secured lenders. Such terms include, but are not limited to, a significant reduction in FairPoint’s long term debt. In exchange for FairPoint’s honoring its responsibilities upon emergence of bankruptcy under the negotiated settlement, the secured lenders have agreed to reduce FairPoint’s secured, long term debt by approximately \$1.19 billion. The debt to FairPoint’s unsecured bondholders also will be discharged upon emergence from bankruptcy, providing a total debt reduction of approximately \$1.7 billion. Such a reduction in FairPoint’s debt benefits ratepayers in that upon emergence from bankruptcy FairPoint will be a financially stable company with the resources necessary to meet its regulatory and other obligations in Northern New England. Additional benefits to the ratepayers of New Hampshire related to the Plan of Reorganization and FairPoint’s emergence from bankruptcy are contained in the pre-filed direct testimony of Mr. Alfred Giammarino, which has been adopted by myself, Ray Allieri, Lee Newitt and Michael Skrivan.

In addition, NNETO owns of record and beneficially all of the equity (in the form of limited liability company membership interests) of Vermont Telco. These membership interests do not constitute utility assets used to provide telephone service to New Hampshire customers. Similarly, the pledge of these interests as part of the collateral to secure the post-bankruptcy credit agreement in no way affects the provision of telephone utility service to New Hampshire customers. Vermont Telco

provides no telecommunications services to residents of the State of New Hampshire. Therefore, there is no harm to ratepayers in the event the Commission authorizes NNETO's pledge of its membership interests in Vermont Telco to the secured lenders.