

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

September 9, 2009 - 1:00 p.m.  
Derry, New Hampshire

**RE: DT-07-011  
VERIZON NEW ENGLAND, ET AL  
TRANSFER OF ASSETS TO FAIRPOINT  
COMMUNICATIONS, INC.  
(JOINT STATUS CONFERENCE)**

**PRESENT FROM  
N.H. PUC:**

Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

**PRESENT FROM  
MAINE PUC:**

Chairman Sharon M. Reishus  
Commissioner Vendean Vafiades

**PRESENT FROM  
VERMONT PUBLIC SERVICE BOARD:**

Chairman James Volz  
Commissioner David C. Coen  
Commissioner John D. Burke

**OTHER APPEARANCES:**

**Reptg. FairPoint Communications:**  
Patrick C. McHugh, Esq.  
(Devine, Millimet...)

**COURT REPORTER:** Susan J. Robidas, LSCR/RPR No. 44

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I N D E X

WITNESS PANEL:            DAVID HAUSER  
                                 VICKY WEATHERWAX  
                                 JEFFREY ALLEN  
                                 PETER NIXON

| <u>OPENING STATEMENTS:</u>    | <u>PAGE</u> |
|-------------------------------|-------------|
| By Chairman Getz . . . . .    | 4           |
| By Chairman Reishus . . . . . | 10          |
| By Chairman Volz . . . . .    | 12          |
| By Mr. Hauser . . . . .       | 15          |

EXAMINATION RE: ORGANIZATIONAL ISSUES:

|                               |    |
|-------------------------------|----|
| By Cmsr. Coen . . . . .       | 28 |
| By Cmsr. Vafiades . . . . .   | 31 |
| By Cmsr. Coen . . . . .       | 40 |
| By Chairman Reishus . . . . . | 43 |
| By Cmsr. Vafiades . . . . .   | 44 |
| By Chairman Getz . . . . .    | 53 |
| By Cmsr. Below . . . . .      | 64 |
| By Cmsr. Coen . . . . .       | 68 |
| By Cmsr. Ignatius . . . . .   | 70 |
| By Cmsr. Vafiades . . . . .   | 82 |
| By Cmsr. Burke . . . . .      | 85 |

EXAMINATION RE: OPERATIONAL ISSUES:

|                               |     |
|-------------------------------|-----|
| By Chairman Reishus . . . . . | 87  |
| By Cmsr. Vafiades . . . . .   | 94  |
| By Cmsr. Below . . . . .      | 127 |
| By Cmsr. Ignatius . . . . .   | 158 |
| By Cmsr. Burke . . . . .      | 168 |
| By Chairman Getz . . . . .    | 173 |

I N D E X (CONT'D)EXAMINATION RE: FINANCIAL ISSUES:

|                               |     |
|-------------------------------|-----|
| By Cmsr. Ignatius . . . . .   | 179 |
| By Cmsr. Below . . . . .      | 192 |
| By Chairman Volz . . . . .    | 201 |
| By Chairman Reishus . . . . . | 206 |
| By Cmsr. Vafiades . . . . .   | 210 |
| By Chairman Getz. . . . .     | 211 |
| By Cmsr. Burke . . . . .      | 213 |
| By Cmsr. Below . . . . .      | 214 |

CLOSING STATEMENTS:PAGE

|                           |     |
|---------------------------|-----|
| By Chairman Volz. . . . . | 215 |
| By Chairman Getz. . . . . | 216 |
| By Mr. Hauser . . . . .   | 217 |

P R O C E E D I N G S

CHAIRMAN GETZ: Good  
afternoon, everyone. The public meeting this  
afternoon is a joint status conference convened  
by the Maine Public Utilities Commission, the  
Vermont Public Service Board and the New  
Hampshire Public Utilities Commission. My name  
is Tom Getz, and as Chairman of the whole state,  
I will moderate the status conference this  
afternoon.

Notice of this status  
conference was first issued on August 12, 2009,  
and each of the states has published notice  
consistent with its own procedural requirements.  
The purpose of the status conference is, in the  
first instance, to hear a report from senior  
officers of FairPoint Communications concerning:  
First, recent organizational changes; second,  
efforts to stabilize operations; and third,  
financial matters described in the company's  
August 5th, 2009 filing with the Securities and  
Exchange Commission.

The FairPoint executives will  
be sworn in, addressed the three topics just

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

1 described and be subject to questioning. The  
2 status conference will be conducted in the nature  
3 of a legislative hearing, which means that the  
4 opportunity for questions today will be limited  
5 to the eight Commissioners present. Furthermore,  
6 there will not be an opportunity this afternoon  
7 for comment from the parties or the public. Each  
8 Commissioner will have the opportunity to  
9 question the FairPoint executives, and in some  
10 cases will be relying on questions previously  
11 solicited from parties to the respective state  
12 proceedings. To balance the process to achieve  
13 some efficiency and continuity in the  
14 questioning, and to avoid repetition, the order  
15 of questions will rotate among the states so that  
16 each state will have the opportunity to take the  
17 lead in an area, and the others will have the  
18 opportunity for appropriate follow-up.

19 My understanding is there is a  
20 direct presentation by Mr. Hauser, the chief  
21 executive officer of FairPoint Communications.  
22 After he has completed his direct presentation,  
23 we will begin with a set of questions concerning  
24 organizational issues. The order for those

1 questions will begin with Vermont, then move to  
2 Maine and then New Hampshire. After that subject  
3 area is addressed, we will do a round regarding  
4 operational issues. The order for those  
5 questions will begin with Maine and then move to  
6 New Hampshire and Vermont. And finally, with  
7 respect to financial issues, the order will begin  
8 with New Hampshire and then move to Vermont and  
9 then to Maine. I also note that the company's  
10 direct presentation may be interrupted from time  
11 to time if there is a need for clarifying  
12 questions.

13 We have a court reporter today  
14 who will be compiling a transcript, and the  
15 proceedings are also being recorded. Both the  
16 transcript and the recordings will be made  
17 available on the respective state Web sites as  
18 soon as possible. In addition, a phone bridge  
19 has been set up and a call-in number was  
20 circulated so that interested parties in the  
21 three states can listen to the status conference.  
22 In that regard, I've been advised that the sound  
23 system is very sensitive. So if there's -- I'd  
24 just note for the members of the -- at the bench

1 at the front to be aware of side conversations,  
2 that they could be picked up and cause some  
3 static, I understand, on the line. And also, if  
4 there's any ambient noise in the hall, that may  
5 cause some problems with the phone bridge.

6 We expect to take a recess  
7 between 2:30 and 3:00. It would be brief. And  
8 we plan to adjourn by 5:00 p.m.

9 As for next steps after the  
10 status conference, each state has its own  
11 procedural rules and ongoing proceedings and will  
12 use the information gathered today as it deems  
13 appropriate for further action.

14 I also want to point out the  
15 likelihood, especially with respect to financial  
16 matters, that FairPoint may assert the  
17 confidentiality of certain information or ongoing  
18 activities pursuant to state or federal law. It  
19 is not our intention to discuss such confidential  
20 information publicly today, but we expect that  
21 such information will be addressed as required in  
22 the respective jurisdictions. At the same time,  
23 we believe it is important that the company  
24 address financial issues as fully as it can here

1 today so that the parties and the public may have  
2 an accurate understanding of the company's  
3 current situation and prospects.

4 I also wanted to address  
5 another issue related to an anonymous allegation  
6 that was made on August 14th about the conduct of  
7 cutover testing by FairPoint and Capgemini. That  
8 allegation was forwarded to the Vermont, Maine  
9 and New Hampshire Attorneys General for  
10 investigation. The Vermont Attorney General  
11 subsequently turned the matter over to the  
12 Vermont Public Service Board, and the Board  
13 directed FairPoint to respond to the allegations  
14 by August 31, which it did. The author of the  
15 e-mail forwarded additional e-mails on  
16 September 1 and September 2 stating, among other  
17 things, that he was satisfied with FairPoint's  
18 explanation. The Maine and New Hampshire AGs  
19 have since indicated that there is no basis for a  
20 continued investigation. These e-mails have been  
21 placed today on the New Hampshire Web site, and I  
22 expect that they will be placed shortly on the  
23 Vermont and the Maine Web sites.

24 I want to thank the Town of

1 Derry for making this facility available to us  
2 today. They've been very hospitable. And it is,  
3 as you all can see, a very excellent setting for  
4 a hearing of this nature.

5 At this point, before we hear  
6 from -- some opening remarks from Chairman  
7 Reishus and Chairman Volz, I'd like the  
8 Commissioners to introduce themselves. And I'll  
9 start on my left with Commissioner Below.

10 CMSR. BELOW: Clifton Below,  
11 New Hampshire Commission.

12 CMSR. BURKE: John Burke,  
13 Vermont Public Service Board.

14 CMSR. VAFIADES: Vendean  
15 Vafiades, Maine Public Utilities Commission.

16 CHAIRMAN REISHUS: Sharon  
17 Reishus, Chairman of the Maine PUC.

18 CHAIRMAN VOLZ: Jim Volz,  
19 Chairman of the Vermont Public Service Board.

20 CMSR. COEN: David Coen,  
21 Vermont Public Service Board.

22 CMSR. IGNATIUS: Amy Ignatius,  
23 the New Hampshire Public Utilities Commission.

24 CHAIRMAN GETZ: And I would

1 turn to Chairman Reishus for some remarks.

2 CHAIRMAN REISHUS: Great.

3 Thank you, Chairman Getz.

4 I am Sharon Reishus, Chairman  
5 of the Maine PUC. And we're here today, and  
6 certainly our colleagues from New Hampshire and  
7 Vermont as well, because we want to see FairPoint  
8 succeed. We have taken the unusual step of a  
9 joint conference today, rather than having you  
10 come to each of our hearing rooms, so that you  
11 can address effectively the concerns that we have  
12 for each of our three regulatory bodies. We want  
13 you to be able to get back to the urgent daily  
14 work of actually solving the complex problems  
15 affecting your company. We are also here today  
16 because the fundamental responsibility of a  
17 public utility commission is to ensure that those  
18 who provide essential utility services are able  
19 to discharge that public responsibility in a  
20 competent manner. Each of the three Commissions  
21 has determined as part of the Verizon/FairPoint  
22 merger cases that FairPoint had the ability not  
23 just to manage Verizon's network in northern New  
24 England, but to improve it by dedicating much

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

1 needed capital investment in broadband  
2 technologies. Such infrastructure is critical  
3 not just to your success as a viable company, but  
4 to the economic and social well-being of the  
5 citizens of Maine, Vermont and New Hampshire.

6 As regulators, we walk a fine  
7 line. We must provide sufficient governmental  
8 oversight so that FairPoint's systems and  
9 operations deliver the services and qualities  
10 that the ratepayers in northern New England  
11 deserve and that FairPoint itself has promised.  
12 On the other hand, we must ensure that the  
13 measures required by that oversight do not  
14 themselves impede the urgent work that FairPoint  
15 must do now in order to get its operations to a  
16 satisfactory level. FairPoint's problems have  
17 become problems for many of the ratepayers in all  
18 three states; and, therefore, they are also our  
19 problems. We know that you feel acutely the  
20 effects of your current operational deficiencies.  
21 We know that you feel acutely the need to satisfy  
22 your shareholders' expectations of a return on  
23 investment and your obligations to your debt  
24 holders. Happily, the way to fulfill the needs

1 of the investors and the debt holders is to  
2 provide the service at the high quality expected  
3 by the ratepayers of northern New England. These  
4 interests are nearly perfectly aligned. And only  
5 then will you stop losing customers, and only  
6 then will you be able to shore up your revenues.  
7 The Commissions, the ratepayers and the company  
8 will all benefit when you meet your public  
9 obligations to provide high-quality service. We  
10 all look forward to hearing today from you what  
11 your realistic, concrete solutions are to the  
12 problems that you've had with your performance  
13 that are affecting all of us. We will take what  
14 we have learned today back to Maine to consider  
15 all our options about what next steps we will  
16 take. Thank you.

17 CHAIRMAN GETZ: Thank you,  
18 Sharon. And Chairman Volz.

19 CHAIRMAN VOLZ: Thank you. My  
20 name is James Volz. I'm the chairman of the  
21 Vermont Public Service Board. I just want to  
22 emphasize that I agree with what Chairman Reishus  
23 said, which is that we all want you to succeed.  
24 And obviously, we thought you would succeed;

1 that's why we approved your application. And so  
2 I just have a few comments to add to what she and  
3 Chairman Getz have already said.

4 Our concern throughout the  
5 period following cutover has been to restore  
6 FairPoint's billing, ordering and other retail  
7 and wholesale services to the levels committed to  
8 by FairPoint as part of its acquisition plan.

9 Improvement in these areas is essential for  
10 consumers, as well as for FairPoint. I also want  
11 to emphasize that one of the reasons we are here  
12 today is, frankly, frustration. Cutover occurred  
13 at the beginning of February and problems arose  
14 immediately. FairPoint began offering assurances  
15 of a return to business as usual by May. Quite  
16 clearly, that date has long since passed, and we  
17 have seen neither sufficient progress nor a firm  
18 commitment that it will achieve an acceptable  
19 level of service. It's been over seven months.

20 And while performance has improved in some areas,  
21 admittedly, it remains substandard in others,  
22 such as many of the wholesale services, which  
23 gives us tremendous concern. And in many areas  
24 that have been affected, improvement has come

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 only at high, unsustainable costs. To date, we  
2 have relied upon FairPoint's assertions that it  
3 was making progress and have given FairPoint more  
4 than adequate time to pursue those efforts. At  
5 this time, however, we would like to hear  
6 concrete plans for addressing those problems.  
7 So, I sincerely hope that we will hear such plans  
8 in your presentation today. Thank you.

9 CHAIRMAN GETZ: Thank you,  
10 Jim.

11 At this point, I would welcome  
12 Mr. Hauser, Ms. Weatherwax, Mr. Allen and Mr.  
13 Nixon, and your attorney, Mr. McHugh. And I  
14 would ask our court reporter, Sue, if you would  
15 swear in the FairPoint executives, please.

16 (WHEREUPON, the witnesses were duly  
17 sworn and cautioned by the Court  
18 Reporter.)

19 **DAVID HAUSER, SWORN**

20 **VICKY WEATHERWAX, SWORN**

21 **JEFF ALLEN, SWORN**

22 **PETER NIXON, SWORN**

23 CHAIRMAN GETZ: So, at this  
24 point then, Mr. Hauser, if you could please

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 proceed with your opening remarks.

2 MR. McHUGH: Thank you, Mr.  
3 Chairman. Just Patrick McHugh, on behalf of  
4 Devine Millimet, just to introduce Mr. Hauser and  
5 to let the Commission know that his statement is  
6 approximately 15 minutes -- sorry. Mr. Hauser's  
7 statement is approximately 15 minutes in length,  
8 and it covers the issues referenced: Management,  
9 reorganization, operational issues and financial  
10 considerations. And with that, I'd ask  
11 Mr. Hauser to begin his statement.

12 CHAIRMAN GETZ: Thank you.

13 MR. HAUSER: Good afternoon.  
14 I am David Hauser, the CEO of FairPoint  
15 Communications. Today I'm marking a little more  
16 than two months on the job. And it's been an  
17 interesting two months. During this time, I've  
18 talked to employees, customers, reporters,  
19 elected officials and regulators. I have been  
20 listening, learning and acting on things that  
21 need to happen in order to make this a more  
22 vibrant company providing the needed services for  
23 the communities in northern New England.

24 I believe I was brought to

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 FairPoint not for my technical expertise, but,  
2 rather, to provide leadership. As CEO of  
3 FairPoint, it is my responsibility to set the  
4 strategy, organize for success, and to  
5 demonstrate through my actions a company culture  
6 of high integrity, customer service and community  
7 involvement. My leadership team and I have taken  
8 a number of steps to improve our operations,  
9 improve our financial situation and begin to  
10 steer this ship in the right direction. I  
11 believe I have the right people in place for  
12 success, and they are clear in their scope and  
13 for what they're held accountable.

14                   Jeff Allen is executive  
15 vice-president for northern New England  
16 operations. His scope includes operations,  
17 engineering, customer care, operations support,  
18 sales, IT and billing. His fundamental job is to  
19 make sure we provide excellent customer service.

20                   Vicky Weatherwax is  
21 vice-president of internal business solutions.  
22 Her scope includes the project management office  
23 and just what her title implies: Internal  
24 business solutions. That means she looks east to

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 west, as well as north to south, to find the best  
2 solutions for system fixes and optimization. I'm  
3 holding her accountable for addressing issues  
4 with the end-to-end systems and processes. Our  
5 goal is to move from a work-around mentality to a  
6 fix-it-and-improve-it mentality. Jeff and Vicky  
7 will be working closely together on these goals.

8 Peter Nixon is president, and  
9 his scope includes regulatory matters,  
10 governmental affairs, supply chain, economic  
11 development and the entire operations of the  
12 telecom group. Of note, Peter and his team  
13 recently submitted applications for broadband  
14 stimulus funding for northern New England,  
15 Missouri and Florida. And he can elaborate on  
16 that later, if you'd like. I'm holding Peter  
17 accountable for all regulatory and government  
18 activities.

19 From time to time, we may have  
20 a lively discussion about what is fact and what  
21 is fiction. But at the end of the day, I think  
22 we do all have the same goal in mind, and that is  
23 for FairPoint to provide a great customer  
24 experience. What's very clear to me is that we

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 have talented, dedicated employees, a reliable  
2 network that we're continuing to invest in, new  
3 advanced operating and support systems that we're  
4 beginning to optimize and great potential to  
5 bring the kind of connectivity to the people of  
6 this region that they deserve. For each of our  
7 customers in these three states, the experiences  
8 over the past few months has been a little  
9 different. For some, it has been great. For  
10 others, there have been issues. I intend to  
11 spend a few minutes this afternoon briefly  
12 glancing at the past, dealing with the present  
13 and looking into the future. Let's face it, the  
14 future is what should really matter to all of us.

15                   It is a fact that customers  
16 can call into our customer service center and  
17 their calls are answered in 20 seconds or less  
18 more than 89 percent of the time. That's  
19 important enough to warrant elaboration.

20                   Speed of answer is an  
21 important metric we track every hour of every  
22 day. For residential and some business  
23 customers, the customer service rep is the first  
24 point of contact to place orders, connect

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 service, disconnect service or make inquiries.

2 In the past couple of months,  
3 I've personally received numerous letters and  
4 e-mails directly from customers. Some tell me  
5 they've had a poor experience with FairPoint. We  
6 escalate those customers to a very highly trained  
7 team. And sometimes I pick up the phone myself  
8 to call the customer. Some of the recent letters  
9 are from customers who had an issue, spoke with  
10 the customer service rep and were so impressed  
11 that they took the time to tell us about it. In  
12 some cases, the customer identifies the employee  
13 by name. Here's an excerpt from a letter from a  
14 customer in Manchester: "Today I spoke with an  
15 employee of yours named Penny Debono. What a  
16 treat to be spoken to like a real customer. She  
17 treated me with dignity and respect and listened  
18 to every word I said. Then she gave me the  
19 service I expected from a company like yours."

20 Now, while this representative  
21 letter is important, I don't want to overstate  
22 the positives. We have plenty of room for  
23 improvement. We know we're not reducing the  
24 number of complaints that escalate to you fast

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 enough. According to our records, the majority  
2 of escalations are about billing errors, followed  
3 by complaints about late orders. The real way to  
4 reduce the number of complaint of customer  
5 escalations coming in to your offices is to  
6 eliminate the causes of the complaints in the  
7 first place. So let's talk about that for a  
8 minute. Let's take the two big buckets of  
9 customer complaints, billing errors and on-time  
10 service, and dig a little deeper.

11 First, billing. Among other  
12 things, we look at what percentage of our  
13 consumer bills are impacted by known defects in  
14 our system. That performance level is on target.  
15 We also look at how accurate our business and  
16 CLEC bills are today as compared to the time  
17 before the system's cutover. That's not on  
18 target. Let me touch on what we're doing about  
19 our performance in this area.

20 We are individually evaluating  
21 and reconciling these bills with the customers  
22 because of their complexity. This is important  
23 to the customer, but it's also important to  
24 FairPoint, because we need to be paid for the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 services we have provided. Jeff's team is  
2 handling this.

3                   Next, new order  
4 installations -- specifically, late orders.  
5 Customers expect to call FairPoint, place an  
6 order, and for the order to be installed in a  
7 reasonable amount of time, which we call a  
8 standard installation interval. Today, we have  
9 about 10,400 new or modified service orders  
10 inside our systems flowing through the various  
11 stages, most of which will complete on time.  
12 There are always going to be some of that 10,000  
13 that will not complete within the standard  
14 installation interval. Many for the right  
15 reasons. In some cases, before the order can be  
16 completed, new equipment may have to be  
17 installed. In other cases, we have to actually  
18 build new network facilities. And sometimes the  
19 customer has a hold on the order until they  
20 finish their construction project. That's not  
21 what we're really concerned about. We are  
22 focused, however, on orders for which customers  
23 are awaiting new service or making changes to  
24 their current service, but are just late. That's

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 about 2200, or 22 percent of the total orders  
2 currently inside our system. We know where these  
3 orders have problems, and that is a combination  
4 of process and system issues. We have identified  
5 the areas that need further attention and have  
6 improvement plans in place for those areas.

7                   Also, we are conducting two  
8 forums where representatives from CLECs are  
9 meeting with FairPoint employees to review  
10 remaining operational and functionality issues.  
11 And we've invited a number of CLECs to work  
12 side-by-side with us in order to review and  
13 provide input on how to improve order flow.  
14 We're asking them to bring in their problem  
15 orders so we can work through these orders  
16 together. Vicky's team has that.

17                   Now let me talk about our  
18 network and the impact cutover had on that. I  
19 can sum it up in one word: None. Our network  
20 has been performing at pre-cutover levels since  
21 we cut over. That's a result of more than a year  
22 of rigorous planning and testing. That doesn't  
23 mean our lines don't get cut, damaged and are  
24 subject to Mother Nature, which sometimes affects

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 the network's performance. Those things come  
2 with the territory; and when it happens, we fix  
3 it as soon as possible. That goes without  
4 saying. I'm just about finished looking at  
5 yesterday and today.

6 I do have to mention one thing  
7 that was mentioned a moment earlier. I want to  
8 talk a second about the anonymous e-mail that  
9 accused FairPoint of improprieties with their  
10 testing procedures as they prepared for one of  
11 the most complex system transactions in telecom  
12 history.

13 The accusation was that  
14 FairPoint and Capgemini deliberately acted in an  
15 unethical manner during cutover readiness  
16 demonstrations. A thorough investigation into  
17 the allegations was conducted by outside legal  
18 counsel. The investigation included both  
19 interviews with employees and review of  
20 previously filed testimony and reports. The  
21 investigation found no evidence of wrongdoing. I  
22 know we all can appreciate how difficult it is to  
23 respond to anonymous complaints. And yes, it's  
24 very annoying to watch people jump to conclusions

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 without giving us the chance to investigate and  
2 respond to the claims. That being said, if this  
3 anonymous e-mailer or anyone else has facts --  
4 and I emphasize facts -- they wish to present to  
5 us for a closer look, I can assure you  
6 everyone -- I can assure everyone here that we  
7 will research them. I am intent on this company  
8 operating with the highest ethical standards.  
9 Without further information, in my mind, this  
10 issue is closed. So, while bloggers blog, our  
11 sales force is selling, our engineers are  
12 engineering, our servicers are installing  
13 service. You get the picture. So, despite what  
14 you hear and read, there are a lot of customers  
15 eager to buy services from FairPoint.

16 In our first advertised  
17 promotion in 2009, we found thousands of  
18 customers happy to sign up. Our gross connect  
19 activity for high-speed Internet in July was up  
20 140 percent above June. Our high-speed Internet  
21 customer growth in July 2009 was up more than  
22 250 percent compared to July of 2008.

23 We are steadily making  
24 progress building our next generation network,

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 which ultimately means more broadband to more  
2 people. That network is designed to carry huge  
3 amounts of data very quickly and efficiently,  
4 with voice service being one of the many  
5 applications that can also travel over the  
6 network. The core network is on track for  
7 completion September 30th, and the first exciting  
8 products off that network are scheduled to be  
9 launched this winter.

10 We are taking the necessary  
11 steps to put ourselves on a more stable financial  
12 footing, including cutting costs, new revenue  
13 generation and restructuring our debt. As you're  
14 aware, I am limited as to how much detail I can  
15 share in the public forum. But it's been widely  
16 reported that, in addition to the significant  
17 incremental expenses we incurred as a result of  
18 our post-cutover issues, we have been unable to  
19 fully implement our operating plan for 2009 and  
20 effectively compete in the marketplace, which we  
21 believe is having an adverse effect on our  
22 business, financial condition, results of  
23 operations and liquidity, as well as our ability  
24 to continue to comply with the financial

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 covenants in our credit agreement. We have  
2 initiated discussions with our debt holders  
3 regarding a more comprehensive and permanent  
4 restructuring of our current capital structure to  
5 reduce indebtedness and debt-service obligations.  
6 We are considering all other restructuring  
7 alternatives available to us, which may include  
8 the commencement of an in-court resolution under  
9 Chapter 11 of the U.S. Bankruptcy Code, with or  
10 without a prearranged plan of reorganization. If  
11 we have to restructure our debt through Chapter  
12 11, it's important to understand that our  
13 customers will not experience an interruption of  
14 service, nor will we slow our efforts to improve  
15 those areas where improvement is still needed.

16 Before we begin taking  
17 questions, let me summarize by saying I'm glad I  
18 became CEO of FairPoint, because this company has  
19 a lot of potential. You know, there's tons of  
20 data out there that we all review and evaluate  
21 all the time. Jeff Allen has a dashboard that he  
22 looks at daily, and most of us look at weekly.  
23 It focuses us on where we are doing well and  
24 where we need to improve. It will always have

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 areas for improvement because we will always want  
2 to get better. FairPoint is committed to the  
3 people of northern New England. We said we'd  
4 bring jobs to the region, invest in the network,  
5 foster economic development and invest in the  
6 communities where our dedicated 3500 employees  
7 live and work. And we are doing all of those  
8 things.

9 As CEO, I have three  
10 priorities: First, recognizing we've made  
11 significant strides in improving the customer  
12 experience, we know further work is needed in  
13 billing accuracy for large business and wholesale  
14 accounts, the time it takes for some  
15 installations and repairs, and addressing the  
16 operational and functionality issues raised by  
17 the CLECs. In these areas we have active plans  
18 in place to make those improvements. Second, I  
19 am leading this company through our financial  
20 issues. And third, we will be working hard to  
21 improve our reputation. This company will act  
22 with high integrity, and we will improve our  
23 customer service. Talk is cheap. But through  
24 our actions, we will demonstrate that to our

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 customers and improve our reputation, one  
2 customer at a time.

3 With that, Vicky, Jeff, Peter  
4 and I will be happy to take your questions.

5 CHAIRMAN GETZ: Okay. Thank  
6 you, Mr. Hauser. I turn to Chairman Volz to  
7 begin some questioning with respect to  
8 organizational issues.

9 CHAIRMAN VOLZ: Thank you.  
10 I'd like to call on David Coen.

11 CMSR. COEN: Thank you, Mr.  
12 Chairman.

13 **EXAMINATION**

14 **BY CHAIRMAN COEN:**

15 Q. Yesterday, FairPoint filed its customer  
16 delivery improvement plan. And I must say  
17 that I was disappointed. The plan has a few  
18 short-term action items. But for the most  
19 part, it seems to be more of a process to  
20 determine how to fix the problems. What I  
21 don't see is a detailed action plan for  
22 fixing the problems. It's been seven months  
23 since the cutover. When should we expect  
24 such a plan, and when do you expect to

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 finally correct the problem?

2 A. (By Mr. Hauser) Well, let me make a comment  
3 or two, and then I'll ask Vicky to chime in.

4 I think one of the things that I found  
5 as I looked at how FairPoint was run when I  
6 came in the door, was an inadequate focus on  
7 project management. Over my career, I've  
8 done a lot of very significant information  
9 technology projects. They are very hard  
10 because there are many issues that crop up  
11 every day. You have to put together a  
12 project management plan, and you have to  
13 hold people's feet to the fire every day.  
14 We are at the point now where we have a lot  
15 of good systems, but they don't talk to each  
16 other as well as they should, and our  
17 processes need some work. So Vicky has the  
18 charge of looking end-to-end and developing  
19 the plan and the timeline. So we're not to  
20 the point where we have the final timeline.  
21 We are at the point where it's time to  
22 develop the plan.

23 Vicky, you want to add to that?

24 A. (By Ms. Weatherwax) Well, as you can see

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 from my plan, we've already engaged vendors  
2 to come in and help us identify end-to-end  
3 issues and solutions. These vendors are  
4 highly qualified companies that have a lot  
5 of experience in telecommunications and the  
6 systems that we -- that we're using today.  
7 They've done this business analysis for us.  
8 And the plan that -- the long-term plan will  
9 be delivered from them in November.

10 A. (By Mr. Allen) If I may add a couple of  
11 things, because a variety of the short-term  
12 solutions are with teams that we have  
13 already deployed, we've restructured to some  
14 extent and they're ongoing currently. So if  
15 you want to look at specifically some of the  
16 short-term solutions, maybe if I could walk  
17 through a couple of things that are in  
18 process right now.

19 David mentioned a focus on billing,  
20 specifically on the business billing, as  
21 well as the CLEC. On the business billing,  
22 about three weeks ago we set up a  
23 specialized team to do a reconciliation of  
24 the top 3250 customers. The intent of that

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 team is to reconcile the bills going back to  
2 cutover if there's any issues both from a  
3 formatting standpoint, which is important to  
4 some of the state customers, as well as the  
5 detail behind that; identify where there's  
6 errors, what the fixes for those errors, and  
7 what the root cause was, so we don't have to  
8 reconcile again, month after month after  
9 month. We've done some things specifically  
10 in the CLEC area --

11 **EXAMINATION**

12 **BY CMSR. VAFIADES:**

13 Q. Jeff, Jeff, excuse me.

14 A. (By Mr. Allen) Yes.

15 Q. When's that going to be done, the business  
16 billing?

17 A. (By Mr. Allen) I'm sorry. The business  
18 reconciliation?

19 Q. The billing reconciliation, yeah.

20 A. (By Mr. Allen) It's about halfway done at  
21 this particular point. It will be  
22 completely finished by the end of October,  
23 but primarily will be done by the end of  
24 September. The only reason that it's going

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 to go beyond the end of September is some of  
2 the more complex, primarily state bills, and  
3 to reconcile with the right format for those  
4 particular customers.

5 Q. Was that fix put in place as Ms. Weatherwax  
6 developed her process? So would that fall  
7 into the quick-fix category?

8 A. (By Ms. Weatherwax) Yes, that is part of the  
9 quick fix.

10 A. (By Mr. Allen) Yeah. Vicky has also, as  
11 part of her team, all of the project  
12 managers. So all of these initiatives that  
13 I'm describing, or most of them -- and I'll  
14 point out where -- there's a specific  
15 project manager that's managing that  
16 particular project.

17 Q. But that's -- is that an example of how the  
18 plan is working, or is that something you  
19 identified beforehand and started to engage  
20 in?

21 A. (By Mr. Allen) It was something we  
22 identified beforehand to put the structure  
23 around it to get the team in specifically,  
24 what members or what skill sets we needed to

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 accomplish this, because you needed both  
2 specific billing experts on the billing  
3 systems that you had, as well as  
4 accounting-type individuals to do the actual  
5 reconciliation. So, Vicky brought a  
6 project -- took one of her project managers  
7 and put them in charge of that particular  
8 team. They worked with our director of  
9 customer operations for business, structured  
10 it, and then kicked it off, as I said, about  
11 three weeks ago.

12 Q. But Jeff, you and I have been here for a  
13 while now. And why, if you knew about this  
14 problem before, why did it take until Ms.  
15 Weatherwax looked into the problem and  
16 identified a person to work on these billing  
17 errors?

18 A. (By Mr. Allen) The primary aspect of how it  
19 was being addressed before was on a  
20 month-by-month and account-by-account basis,  
21 and different fixes were being put in place  
22 to what was thought to fix the problem the  
23 following month, as opposed to looking at it  
24 from an end-to-end perspective of delivering

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 the solutions.

2 Q. So, Ms. Weatherwax figured out that it  
3 was -- the problems were ongoing and they  
4 weren't getting permanent fixes, and then  
5 you put a group together to resolve it?

6 A. (By Mr. Allen) I wouldn't characterize it  
7 that way. I would characterize it that the  
8 primary person involved in identifying the  
9 problem and the solution was our director of  
10 customer operations for billing -- I'm  
11 sorry -- customer operations for business,  
12 and then worked with Vicky as far as coming  
13 up with the project management schedule to  
14 implement.

15 Q. Thank you.

16 A. (By Mr. Hauser) I want to go to one point on  
17 that for a second. You're going to hear a  
18 very common theme, and I talked about it  
19 briefly already. But there's a project  
20 management concept that's important. You  
21 got people doing their job every day. And  
22 when something happens that's out of the  
23 norm, it's very hard to pull those people  
24 out to solve whatever the issue is. So we

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 are going to be very focused anytime there's  
2 an issue and using a project manager to lay  
3 out the work plan and drive an individual  
4 project to fruition.

5 CMSR. BURKE: Well, if I  
6 could, just a second, then, David. You know, in  
7 your statement you indicated early on that you  
8 viewed that you weren't brought into this job  
9 because of your techs -- technical expertise or  
10 your background in telecom, but, rather, to  
11 provide leadership. Is that because you believed  
12 or that FairPoint believed that that was lacking  
13 prior to you?

14 A. (By Mr. Hauser) Well, I think there were a  
15 lot of good people at FairPoint. I think  
16 they were focused on a wealth of issues. I  
17 think we made some organizational changes  
18 that have changed that focus and improved  
19 the focus and will make us much more  
20 successful.

21 CMSR. BURKE: And the  
22 management approach, the management team  
23 approach, is a major, a major part of that. Is  
24 that what you're telling us today?

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Mr. Hauser) I think the -- there was a  
2 project management organization that existed  
3 before my arrival. I would say the way it  
4 is being utilized now is pretty dramatically  
5 different.

6 CMSR. BURKE: Thank you.

7 A. (By Mr. Allen) One other comment that I  
8 would make about several of these items. As  
9 I think was mentioned before, I believe  
10 there's been a recognition that if you look  
11 at the operations today in virtually every  
12 area and compare to two months ago, it is  
13 better. In many instances, dramatically  
14 better. But one of the things that also has  
15 come out was somewhere around the middle of  
16 June till about the middle of August, things  
17 seemed to plateau in certain environments.  
18 Not in all, but in some. So, some of the  
19 new initiatives and additional focus that  
20 we're putting on was to get beyond that  
21 plateau. We saw progress being made. But  
22 if it doesn't continue and it's not  
23 sustainable, it doesn't get us where we want  
24 to go. So that's also what was some of the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 drivers for some of these initial or  
2 additional changes.

3 The other area -- another area I would  
4 mention in regard to a short-term solution  
5 is the way and the vehicles that we're  
6 putting in place with the CLEC community.  
7 One of the recommendations that had come to  
8 us several times was to make that a singular  
9 organization, so that within one  
10 organization we could look at everything  
11 from the sales process through business  
12 operations, through billing, through account  
13 reconciliation and billing dispute  
14 resolution and collections. We have now put  
15 in place an organization where each of those  
16 functions now reports directly to me.

17 My experience has been, in my past I've  
18 started up and run a CLEC. I think I have a  
19 pretty good understanding of what they need  
20 to have their business be successful. And  
21 we expect with all of the functions in one  
22 area, we should be able to provide a better  
23 overall solution. Specifically having one  
24 person responsible for billing, billing

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 resolution, dispute resolution and  
2 collections, I think will also help us a  
3 great deal, because one tends to feed  
4 directly into the other.

5 We also, on the service delivery side,  
6 we had a variety of different organizations  
7 that were separated out. So, for each of  
8 the different functional areas within  
9 delivering service, they went from one area  
10 to another to another. We formed a service  
11 delivery team.

12 We also changed -- actually announced  
13 today -- a restructuring of my organization,  
14 where we took the predominant part of the  
15 organization, which was operations,  
16 engineering and provisioning, and instead of  
17 just having one person attempt to  
18 proactively manage that, we broke that into  
19 two parts, where I've assigned a senior VP  
20 to each of those particular asks -- tasks.  
21 So, my belief is that by doing that, we can  
22 more proactively manage those particular  
23 functions, which is the customer delivery  
24 piece, as opposed to where we were in the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 past.

2 We've added some additional reporting  
3 functionality. One of the things that we --  
4 when we get to the operations end, we can  
5 talk a little bit about the -- where we are  
6 on new orders and past-due orders and such.

7 One of the things that becomes very  
8 critical is the ability to manage the cues  
9 and the different work areas. So we have  
10 new reporting functionality that gives us  
11 greater insight into that. And we also set  
12 up a separate escalation team that has  
13 dramatically dropped the escalations, the  
14 open escalations down, that come from both  
15 the PUC as well as the executive groups.

16 **BY CMSR. VAFAIDES (CONT'D):**

17 Q. To what, Jeff? The escalation team.

18 A. (By Mr. Allen) Pardon me?

19 Q. I'm sorry. The escalation team you said has  
20 dramatically dropped the escalations. I  
21 just looked at some recent stats. What has  
22 it dropped it to? You were really up there  
23 at the beginning of July.

24 A. (By Mr. Allen) Yeah. The total

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 escalations -- we'll give you two different  
2 numbers. The total escalations, if you go  
3 back a couple of months -- and these  
4 included executive and PUC escalations --  
5 were over 1500. Those are now down in the  
6 400 range. And the total number of PUC  
7 escalations across the three states in total  
8 are at 296 -- or they were as of yesterday.

9 Q. At 296. Thank you.

10 A. (By Mr. Allen) You're welcome.

11 **BY CMSR. COEN (CONT'D) :**

12 Q. Well, I think I heard Ms. Weatherwax say  
13 that you would have the action plan filed by  
14 November. But I did not hear an answer as  
15 to when you expect to finally correct these  
16 problems.

17 A. (By Ms. Weatherwax) The problems will be  
18 getting corrected as we move along through  
19 the discovery phase and --

20 Q. And when will all of them be corrected?

21 A. (By Ms. Weatherwax) I can't give you a final  
22 date on that. We'll be getting --

23 Q. A year? Two years?

24 A. (By Mr. Hauser) Well, I think the reason

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 we've -- we're hiring this consultant is to  
2 help us finalize the set of problems to be  
3 resolved. They will develop the work plan  
4 for it. And that work plan is what will  
5 occur in November. And all along the way  
6 fixes will be occurring.

7 Q. And the work plan will include a date for  
8 when the problems will be corrected?

9 A. (By Ms. Weatherwax) Yes.

10 Q. Okay. I have another question. Last month,  
11 FairPoint indicated it would begin producing  
12 weekly reports on planned and accomplished  
13 activities relating to the service issues  
14 with biweekly filings with the Commissions.  
15 When does FairPoint expect to be providing  
16 these reports?

17 A. (By Mr. Nixon) I'll take that one, if I  
18 could, please.

19 I am currently working with Liberty to  
20 create a template for those reports. I  
21 committed them to distribute that template  
22 to other parties so they could provide  
23 input. We are in the process now of  
24 finishing the template. I'll be getting

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 that out and seeking input from the various  
2 constituents very shortly.

3 A. (By Mr. Hauser) Let me add one thing. I  
4 actually think this is a very important  
5 area. It seems to me, as I've looked at the  
6 amount of data that is being generated, it's  
7 pretty phenomenal. And at some point, data  
8 ceases to be information if there's too much  
9 of it. I think getting this organized into  
10 a report that's meaningful to everybody will  
11 be a gigantic step forward in clarity.

12 Q. Thank you.

13 CMSR. COEN: That's all I have  
14 at this time, Mr. Chairman.

15 CHAIRMAN GETZ: Okay. Then  
16 we'll turn it to Chairman Reishus. And  
17 acknowledging that it's sometimes difficult to  
18 distinguish operational questions from  
19 organizational and financial questions, but we'll  
20 try to move ahead with some of the organizational  
21 issues, and then we will then move into the  
22 operational.

23 CHAIRMAN REISHUS: All right.  
24 Fair enough. I'll save the operational

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 questions, 'cause I think Maine has quite a few.  
2 But let me just focus on the organizational.

3 **EXAMINATION**

4 **BY CHAIRMAN REISHUS:**

5 Q. Ms. Weatherwax, do you feel that you have  
6 the resources you need under this new  
7 organization to come up with -- you know,  
8 you are the internal business solutions  
9 person. Do you have the resources that you  
10 need to do that?

11 A. (By Ms. Weatherwax) Yes.

12 Q. Could you describe what those resources are.

13 A. (By Ms. Weatherwax) I have 12 full-time  
14 staff that work for me, and I have 3 that  
15 are assigned from different departments,  
16 dotted-line, to support this effort. And I  
17 also have the vendors that are going to be  
18 coming in to help us do the analysis. And  
19 all of the departments in the company are at  
20 my access as I need them. They have all  
21 made offers to help and have helped in every  
22 way so far. So I believe, yes, I'm going to  
23 have the support that I need to complete  
24 this.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 Q. And is it your sense that the resources that  
2 are afforded to you have the urgency, the  
3 sense of urgency necessary to move this  
4 forward?

5 A. (By Ms. Weatherwax) Yes.

6 Q. And who do you report to?

7 A. (By Ms. Weatherwax) David.

8 Q. Thank you.

9 CHAIRMAN REISHUS: Commissioner  
10 Vafiades.

11 **EXAMINATION**

12 **BY CMSR. VAFIADES:**

13 Q. Jeff, I wanted to follow up on a couple of  
14 things. You said that you've combined the  
15 billing operation under one management team;  
16 is that correct?

17 A. (By Mr. Allen) That's correct.

18 Q. And is that retail and wholesale?

19 A. (By Mr. Allen) Yes, although primarily the  
20 billing systems for retail are one  
21 particular type of billing system that has a  
22 separate director and group that works in  
23 it, and primarily in wholesale it is a  
24 different billing system. There are certain

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 wholesale products that are billed by the  
2 retail system and certain retail products  
3 that are billed by the wholesale system.  
4 But by and large, there are two primary  
5 systems; one is almost all retail and one is  
6 almost all wholesale.

7 Q. Thank you. And then you said you pulled  
8 apart your other responsibilities, and now  
9 there are three VPs. One responsible for  
10 operations, and what were the other two?

11 A. (By Mr. Allen) What I did was I took the --  
12 previously, we had one senior VP that was  
13 responsible for operations, engineering  
14 provisioning and network planning, who was  
15 doing, I think, a very outstanding job in  
16 her role --

17 Q. So how did you pull that apart, Jeff?

18 A. (By Mr. Allen) What I broke it up into is,  
19 one, is the operations end of the business.  
20 So it's all of the outside plant. It's all  
21 of the techs that are out in the field; it's  
22 installation and maintenance; it's network  
23 surveillance; and it's network -- the  
24 network piece. And the other side would be

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 engineering, network planning and  
2 provisioning. So it's really the  
3 provisioning --

4 Q. Two? So it's two people?

5 A. (By Mr. Allen) No, one person that has that.  
6 What you find in a lot of the network --

7 Q. Okay. So what's the next organization that  
8 you had? I thought you said you pulled it  
9 apart to have three separate VPs now.

10 A. (By Mr. Allen) No, just two. I may have --  
11 when I broke out the one, I mentioned it was  
12 engineering, network planning --

13 Q. Okay.

14 A. (By Mr. Allen) -- and provisioning. That's  
15 one, one specific group.

16 Q. All right. And who's the other -- who's the  
17 new senior VP?

18 A. (By Mr. Allen) I moved Brian Lipphold, who  
19 has a much greater experience in the  
20 engineering and operations end, out of the  
21 sales organization and moved him into that  
22 role.

23 Q. Is he here today?

24 A. (By Mr. Allen) He is not.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Q. Thank you.

2 Mr. Hauser, you mentioned that the --  
3 that one of the successes -- I assume your  
4 advertising promotion's success -- was the  
5 increase of Internet customer growth from  
6 July 2009 was up 250 percent from July 2008.

7 We had an interesting question from the  
8 Maine Public -- our Maine Public Advocate  
9 that indicated, I think, a related question.  
10 And the question was, was it prudent for  
11 FairPoint to spend money on a new corporate  
12 image and other marketing campaigns before  
13 the problems are fixed?

14 So the question I have of if you're out  
15 there marketing and you've had customer  
16 growth, what has been the customer's  
17 experience in being connected? Are you,  
18 through your repair center, which I  
19 understand also does the new connect service  
20 and change in service, if I have that  
21 right -- if you're putting an emphasis in  
22 resources into marketing and signing up new  
23 services, are your employees showing up on  
24 the date they committed themselves to show

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 up to connect that service? Are people,  
2 when they call up, getting their calls  
3 answered within 20 seconds? Are those calls  
4 being dropped? I mean, what's the -- what's  
5 the real story behind the numbers? And if  
6 it's good news, I want to hear that, too.

7 A. (By Mr. Hauser) Let me -- okay. Let me  
8 split it into two parts, and then Jeff can  
9 elaborate.

10 On the phone, the calls are getting  
11 answered. So I'm very comfortable that --

12 Q. In the repair center as well? Because  
13 that's the place where you said there were  
14 some problems versus --

15 A. (By Mr. Hauser) The repair center hasn't had  
16 quite as good a service as the others, but  
17 it's still very good service in the repair  
18 center.

19 And Jeff, do you have a statistic or...

20 A. (By Mr. Allen) Yeah. Overall, as David  
21 described, the average -- when we talked  
22 about service levels, the average time to  
23 answer in the consumer center, which is  
24 where people would call and order this,

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 since August 1st it's been six seconds.

2 We've had virtually no abandons, which means  
3 we're answering the phones and responding to  
4 the customers.

5 In the repair center, the average time  
6 to answer is 18 seconds. I'm sorry. Yes,  
7 from -- that was September. In September it  
8 was 18 seconds.

9 Q. September when?

10 A. (By Mr. Allen) Just for the month of  
11 September it was 18 seconds. It was about  
12 45 seconds, if you go from August 1 to  
13 September --

14 Q. So you mean for the last seven days or eight  
15 days it's been 17 seconds?

16 A. (By Mr. Allen) Eighteen seconds.

17 Q. Eighteen seconds?

18 A. (By Mr. Allen) Right. And in the business  
19 center it's been 30 seconds.

20 So we're answering the phones very  
21 quickly. That was part of a major  
22 consideration of why we didn't do and we  
23 cancelled promotions prior to the June  
24 promotion that was mentioned.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1           From a delivery of the service, in  
2           total of our overall products, we're  
3           delivering the service on time 78 percent of  
4           the time. The numbers for high-speed  
5           Internet access and POT service is a little  
6           bit higher than some of our other products.  
7           But that's, roughly speaking, somewhere  
8           between 75 to 80 percent is the amount of  
9           time we're delivering those services on  
10          time.

11        Q.    When you say "delivering on time," are you  
12            talking about relative to what the different  
13            states have for SQI objectives or -- when  
14            you say "on time," what -- I'm not asking  
15            you to go into each service, but --

16        A.    (By Mr. Allen) Yeah. Each --

17        Q.    -- in your definition, what are you defining  
18            as "on time" for the public?

19        A.    (By Mr. Allen) Each product has a set  
20            interval --

21        Q.    Yeah.

22        A.    (By Mr. Allen) -- and it's delivering at on  
23            or before that interval date.

24        Q.    As part of your stabilization plan

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 objectives or --

2 A. (By Mr. Allen) No, as part of the standard  
3 intervals that have been in place for years.

4 Q. Okay. Thank you. That's what I -- okay.  
5 sorry.

6 A. (By Mr. Hauser) The other piece on the  
7 installation -- and Jeff just covered part  
8 of it. But actually, we were surprised at  
9 how good and how quick the response was to  
10 our ads. If we had any flaw in the way we  
11 handled that, it was the responses came in a  
12 lot faster, and we were challenged to get  
13 the orders into the system. So we didn't  
14 have a backup at the very beginning of  
15 getting the orders into the system because  
16 we got so many responses.

17 Q. This is sort of a management question and a  
18 financial question as part of it. But  
19 you're attempting to improve your services.  
20 And at some meeting in the last three or  
21 four months I was under the impression --  
22 and I want to clarify this, 'cause I could  
23 be wrong -- that your freeze -- you had a  
24 hiring freeze and salary freeze and were

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           trying to cut costs in a variety of areas,  
2           which I understand you have financial  
3           issues. Is it just you're shifting  
4           resources, or are you really freezing  
5           positions? And does that have an impact on  
6           customer service?

7           A.    (By Mr. Hauser) Well, we've done a variety  
8           of things. We've looked at a lot of  
9           contracts and redone them and saved some  
10          money that way. We do have a hiring freeze,  
11          where if we're going to hire somebody, it  
12          requires my approval.

13          Q.    Every person the company hires?

14          A.    (By Mr. Hauser) At this point.

15          Q.    Thank you.

16          A.    (By Mr. Hauser) That being said, as ideas  
17          have come up where we needed to bring  
18          things, for example, in-house that we used  
19          to outsource, we have done that, and we've  
20          hired the people to do that. So we are  
21          hiring people as they're needed. I find  
22          that keeping my hand on that throttle for a  
23          while makes people at least think twice  
24          before they decide to hire.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Q. I bet they do. Thank you.

2 CMSR. VAFIADES: That's all  
3 the questions I had.

4 CHAIRMAN GETZ: Okay. Then  
5 for New Hampshire, I'll start with some questions  
6 on some organizational issues and then turn to my  
7 colleagues if they have some questions. But I'd  
8 like to start with you, Mr. Hauser.

9 **EXAMINATION**

10 **BY CHAIRMAN GETZ:**

11 Q. In my understanding, your background is  
12 largely financial. And you acknowledge in  
13 your opening statement that you don't  
14 believe you were brought on for your  
15 technical expertise. But you also say that  
16 you believe you have the right people in  
17 place for success; they're clear on their  
18 scope and for what they are held  
19 accountable.

20 So, in terms of addressing technical  
21 issues, it seems like the creation of this  
22 new position that Ms. Weatherwax holds is  
23 critical to that. But in a larger sense,  
24 I'd like to hear from you, what's the basis

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 for your belief that you have the right  
2 people in place addressing these technical  
3 issues and that they're going to solve them?

4 A. (By Mr. Hauser) Okay. Let me add a couple  
5 things first on my background, because,  
6 clearly, I am -- I have quite a history in  
7 the financial area. I also ran the  
8 unregulated operations for Duke Energy in  
9 North America and all of their international  
10 operations. I also ran their fleet and  
11 their procurement services. And I've  
12 managed a lot of information technology  
13 projects that were very large in scope. So  
14 I have some skills that I think are  
15 pertinent to this particular job.

16 As I said earlier, it became really  
17 obvious to me that project management was a  
18 huge issue. Very quickly. As I -- one of  
19 the first things I did, I took the top 34  
20 people at FairPoint, and I spent one hour  
21 with each of them. On the front of the  
22 page, I wanted to hear about themselves; on  
23 the back of the page, what were the four or  
24 five things they would do if they were the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 new CEO. There were a lot of common  
2 threads, and creating Vicky's position was a  
3 fairly common idea. Putting Vicky in that  
4 position was a fairly common idea, too. So  
5 I really can't take great credit for the  
6 idea or the person. I can take great credit  
7 for listening and putting in place the  
8 person that was suggested to me. I think  
9 that she has the right skills for the job.  
10 She has a background both in information  
11 technology and in engineering. So, those  
12 two coming together are going to be very  
13 helpful. And she has a lot of project  
14 management skills from her prior job. She  
15 has more to learn, and she's going to learn  
16 it fast.

17 As I looked at what all Peter had  
18 responsibility for, it was just too broad.  
19 He had too many things to do. And so I made  
20 the decision that -- to change his focus a  
21 bit. And, again, as I listened to people on  
22 who had the skill set, Jeff has done a lot,  
23 played a lot of leadership roles in the  
24 telecom space. And I'd say the actions I've

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 already seen him take and what he's already  
2 done and learned have proven to me quickly I  
3 made the right choice.

4 Q. In this organizational arrangement that  
5 you've put together, do you see this as  
6 addressing a short-term problem, or is this  
7 a response to a way that the -- you would  
8 see the company running for the long term?

9 A. (By Mr. Hauser) I think for Jeff's job and  
10 Peter's job, it's long term, as far as I can  
11 see it. For Vicky's job, there will be an  
12 endpoint. Her real goal is at some point to  
13 be saying, "Wow, I'm out of a job." And  
14 that'll be a very good day. So I think that  
15 there's a different answer, depending on  
16 which person we're talking about.

17 A. (By Ms. Weatherwax) For you.

18 Q. But in that regard now, what I understand  
19 from Ms. Weatherwax and the, what's now  
20 being called the customer delivery  
21 improvement plan, that you're going to be  
22 taking on a lot more vendors and doing more  
23 work with external sources than with  
24 internal sources? Do I understand that

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 correctly?

2 A. (By Ms. Weatherwax) No.

3 Q. Please explain to me what all these vendors  
4 will be doing under your customer delivery  
5 improvement plan.

6 A. (By Ms. Weatherwax) The vendors that we're  
7 talking to now that have the RFPs that are  
8 due to me on 9/14 -- the responses are  
9 due -- are firms that have done business  
10 analysis for telecommunications companies:  
11 End-to-end solutions deliveries, looking at  
12 a way to improve processes and systems. And  
13 they've worked with the systems that we have  
14 in place, and they've put together these  
15 type of solutions and --

16 Q. So they're being hired to help you fix the  
17 problems.

18 A. (By Ms. Weatherwax) Yes. But initially,  
19 they're just going to give us a solutions  
20 proposal, and we will make the  
21 determination, based on what their proposal  
22 is, if we are going to do the work  
23 internally, which we did with Aricent. We  
24 took their suggestions and we implemented

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           them ourself. And we may do the same thing  
2           in November, if the solutions that they give  
3           us -- we may do the implementation ourself.  
4           We may ask them to do some or all of the  
5           implementation, depending on how they're  
6           laid out.

7           Q.    Are these things that otherwise would have  
8           been done by Capgemini, or are these things  
9           that Capgemini doesn't have the experience  
10          to do, that you don't have the internal  
11          experience to do?

12          A.    (By Ms. Weatherwax) They're not going to be  
13          the work that Capgemini's doing. Capgemini  
14          will still be our IT support. They will be  
15          making proposals and delivering solution  
16          suggestions that Cap will be implementing,  
17          as well as Jeff's team will be implementing,  
18          and the other departments in the company.  
19          This is about processes and systems, not  
20          just systems.

21          A.    (By Mr. Hauser) Let me add just a couple  
22          things. One of the reasons that answering  
23          the phone is going very well right now is  
24          because Aricent was brought in, had a lot of

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 great ideas, and those ideas got  
2 implemented. That's what I call a "north to  
3 south view." It was one piece of the  
4 company.

5 Q. I was hoping we were going to get to an  
6 explanation of the distinction between north  
7 to south and east to west.

8 A. (By Mr. Hauser) Okay. It is -- my term,  
9 "north to south" means you're looking at  
10 silos of the company. And so Aricent was  
11 brought in, looked basically at a silo of  
12 the company and came up with some really  
13 good ideas. And those are being  
14 implemented.

15 What Vicky's doing is looking at what I  
16 call "east to west," across the business  
17 system. So what she does, then, is looks at  
18 all the different systems and the way they  
19 interface and the processes between the  
20 systems. So that's the difference.

21 And what this consultant will do is  
22 help her look across all the systems, come  
23 up with changes that are needed. To the  
24 degree those are IT changes -- and they will

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 not all be IT changes. But to the degree  
2 those are IT changes, then our IT department  
3 will decide how to implement those, and  
4 they'll use Capgemini if that's the best  
5 alternative.

6 A. (By Mr. Allen) The other thing I would add  
7 is a big part of this is the speed of  
8 delivery. If the question was, would we  
9 have come up with all these things and made  
10 all of these changes eventually, I think the  
11 answer logically over time is we'd come up  
12 with most of them. But by having some extra  
13 resource that's familiar with the systems  
14 and the processes and the business, they  
15 should be able to accelerate coming up with  
16 those solutions faster so we can get to the  
17 end game faster. That is what we found when  
18 we brought Aricent in to look at the  
19 front-end system.

20 Q. Is this also reflected in your notion of  
21 project management that's in your opening  
22 remarks? You also said that the goal was to  
23 move from a work-around mentality to a  
24 fix-it-and-improve-it mentality. I mean, is

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           that what's been happening when you were  
2           trying -- Band-aids were being put on  
3           things, or systems didn't --  
4       A.    (By Mr. Hauser) I think there -- we could  
5           point to examples of Band-aids being put on  
6           things and point to examples of where people  
7           didn't go to the root cause. But what we  
8           really want to do is make sure we're going  
9           to the root cause. And what project  
10          management really is, is every time you put  
11          in a computer system, there are going to be  
12          challenges; some from the vendor, some from  
13          your side. There's just going to be issues.  
14          And the challenge is to be ahead of those  
15          issues and not let them build, thinking  
16          you'll make up for it at the end.  
17          Frequently when people are putting in a new  
18          system, they think they'll catch it up  
19          later, and it never happens. So the norm of  
20          an IT system is it costs too much, it  
21          delivers too little, and it's late. And  
22          that's just kind of the norm of people that  
23          have put in big IT systems. And so you've  
24          got the project management very well to

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 avoid those things.

2 Q. Okay. I have one last follow-up question on  
3 organizational issues. I want to turn to  
4 Mr. Allen and just following up on what  
5 Commissioner Vafiades was inquiring about  
6 and where you have broken one of your  
7 organizations into essentially two  
8 suborganizations with two senior  
9 vice-presidents.

10 But organizational changes can reflect  
11 a lot of things. It can reflect a poor  
12 organizational choice, in the first  
13 instance; it can reflect having poor  
14 managers in those positions; and it can  
15 reflect a business cycle that where a  
16 company is overrun with problems of its own  
17 making or from other forces. But I just  
18 want to make sure I understand, you know,  
19 what was broke, why is this a fix, and is  
20 one subset of this is how to provide better  
21 service to the CLECs?

22 A. (By Mr. Allen) Well, there are two separate  
23 pieces. The first piece of why the first  
24 change that I mentioned with the two

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 vice-presidents really wasn't any of those  
2 examples, because I felt that the person in  
3 the role was doing a real good job and is a  
4 critical performer for the company. What I  
5 felt, though, was that the scope of her  
6 responsibility, given the level of change  
7 that we're involved in, did not allow any  
8 individual to properly proactively manage  
9 that business. It was much more of a  
10 reactive type of basis because of the scope  
11 of that particular job with the changes. So  
12 my feeling was, by moving two strong people,  
13 one staying in position, one coming into the  
14 position, that it would give the type of  
15 leadership and focus on each of those so  
16 that they could proactively manage. My  
17 expectation is both parts of the  
18 organization will be stronger with that  
19 change.

20 The second part of the comments I made  
21 before on the organizational structure was  
22 in the CLEC environment we had different  
23 parts of how we supported the wholesale  
24 environment reporting up to different

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 people. And the feeling was that, my belief  
2 is, if we could put those all under one  
3 leader -- in this case, it would be  
4 myself -- I think we could be more  
5 consistent from the beginning of a cycle  
6 with the CLEC and the whole relationship  
7 through billing, through collections and  
8 through any kind of resolution. So those  
9 were two different changes designed to  
10 accomplish two different things. But I  
11 think both of them make a lot of sense and  
12 will help the organization.

13 Q. Okay. Thank you.

14 CHAIRMAN GETZ: Commissioner  
15 Below.

16 CMSR. BELOW: Thank you.

17 **EXAMINATION**

18 **BY CMSR. BELOW:**

19 Q. Have any managers been let go since July 1?

20 A. (By Mr. Allen) Yes.

21 Q. Do you have replacements for those?

22 A. (By Mr. Allen) In some instances we did  
23 replacements. In some instances we  
24 determined that a replacement was not

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 necessary and there was a way we could move  
2 the work into another group effectively.

3 Q. Okay. How many vice-presidents does  
4 FairPoint have, and how many have been  
5 created since the closing?

6 A. (By Mr. Hauser) We'll have to get you that  
7 information. I don't have it, off the top  
8 of my head.

9 Q. Okay.

10 CHAIRMAN GETZ: Do you have an  
11 approximation?

12 A. (By Mr. Hauser) Well, when I sat down with  
13 the top group -- well, it was 34 at that  
14 point. Vice-presidents, senior  
15 vice-presidents, president, executive  
16 vice-president, all those kinds of titles.

17 **BY CMSR. BELOW (CONT'D):**

18 Q. Are they all responsible for and empowered  
19 to solve the problems that are brought to  
20 their attention?

21 A. (By Mr. Hauser) I would say they are  
22 responsible for and empowered to solve the  
23 problems in their area of responsibility. I  
24 actually think one of the pieces of

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 accountability that I've really tried to  
2 create is a clarity of accountability, so  
3 that everybody is not trying to put out the  
4 same fire. So I have tried to create that  
5 clarity so we know who is in charge. Not to  
6 say you don't help each other, not to say  
7 you don't work across lines. But I think if  
8 people understand what they're accountable  
9 for, the vast majority of people will  
10 deliver the results.

11 Q. In Paragraph 11.1 of the settlement  
12 agreement, it provided that, in addition to  
13 the four directors on FairPoint's board who  
14 resided in New England at the time of the  
15 close, FairPoint would make a good-faith  
16 effort to attract one or more nominees from  
17 the northern New England region.

18 Has a new member of the board from  
19 northern New England been nominated or  
20 appointed since the closing?

21 A. (By Mr. Hauser) No new member of the board  
22 from anywhere has been nominated or elected.

23 Q. Do you expect to replace Gene Johnson or  
24 Patricia Garrison-Corbin, who recently

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 resigned?

2 A. (By Mr. Hauser) I don't anticipate replacing  
3 either one of them until such time as we  
4 work through our financial issues.

5 Q. Okay. Has FairPoint established an external  
6 trust fund to receive, invest and disburse  
7 funds to help meet accrued OPEB, which is  
8 other post-employment benefit liabilities --  
9 for employees who work primarily in the  
10 provision of regulated telephone service,  
11 pursuant to our Commission's order, as a  
12 condition of our order?

13 A. (By Mr. Nixon) Let me take that one, if I  
14 could, please.

15 We had -- the short answer is we have  
16 not, and that was because we had no retirees  
17 in New Hampshire in 2008. We have had  
18 retirees in New Hampshire in 2009. We'll be  
19 therefor establishing setting up funding  
20 that trust fund once we have established  
21 what the healthcare and the OPEB  
22 requirements are at the end of the year.

23 Q. So, have you selected a trustee, an  
24 independent trustee who would do that, or

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 are you still --

2 A. (By Mr. Nixon) I don't believe we've  
3 selected the trustee. What we've done is we  
4 know that this year, in 2009, there have  
5 been retirees in New Hampshire. So we are  
6 now in the process of determining who the  
7 trustee would be and then what the funding  
8 requirements would be. So in 2008, no  
9 retirees, no funding required. There will  
10 be in 2009. So now we've initiated that  
11 process.

12 Q. Okay. Thank you. That's all.

13 CMSR. COEN: Mr. Chairman, I  
14 have a follow-up.

15 CHAIRMAN GETZ: Commissioner  
16 Coen.

17 CMSR. COEN: Thank you.

18 **EXAMINATION**

19 **BY CMSR. COEN:**

20 Q. Mr. Hauser, I just want to follow up on one  
21 of Commissioner Below's questions. He asked  
22 you about replacing the board seats, and  
23 you -- your answer, as I recall, was that  
24 you weren't planning to replace any board

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 seats until you get through the financial  
2 crisis. Do you see no value in bringing in  
3 some independent board members to help you  
4 with the financial crisis?

5 A. (By Mr. Hauser) Well, we have a board of  
6 seven people, six of which, other than  
7 myself, are independent board members with  
8 excellent credentials. So I don't think  
9 adding other board members would help us  
10 through this crisis.

11 Q. You were brought in as part -- from the  
12 outside for your independence and financial  
13 background. You don't see the value of  
14 bringing in others for that purpose?

15 A. (By Mr. Hauser) Well, I was brought in, I  
16 would say, more for leadership than for  
17 anything else. And I don't think we need  
18 any other board members. I don't think that  
19 would change the direction we're going in  
20 this financial situation at all. And, of  
21 course, there's a cost to bringing in more  
22 board members, too.

23 Q. Thank you.

24 CHAIRMAN GETZ: Commissioner

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

1 Ignatius.

2 CMSR. IGNATIUS: Thank you.

3 **EXAMINATION**

4 **BY CMSR. IGNATIUS:**

5 Q. Just staying with the question of the board  
6 another moment. Was it not a requirement of  
7 the settlement agreement that you do recruit  
8 another northern New England member of the  
9 board?

10 A. (By Mr. Hauser) My recollection -- and  
11 somebody can correct me on the words -- was  
12 that when we recruited another member, it  
13 would be somebody from northern New England.  
14 Is that --

15 A. (By Mr. Nixon) I believe that's correct.

16 Q. And is that still your commitment, that at  
17 the point at which you think it's  
18 appropriate to bring on another board  
19 member, you would turn to northern New  
20 England?

21 A. (By Mr. Hauser) Yes, we'll look to northern  
22 New England.

23 Q. Mr. Hauser, I have a question about your --  
24 the team management approach, which sounds

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 appropriate in making sure that all the  
2 different pieces of the problem are working  
3 together and not getting in each other's way  
4 to solve problems. But you've heard already  
5 today some frustration at commitments to get  
6 to solutions without any real hard dates.  
7 And it's impossible to predict the future.  
8 But is part of the team management to set  
9 goals for the future that will then be  
10 measured against when you see whether a  
11 particular solution is working or not?

12 A. (By Mr. Hauser) Yeah, let me answer that in  
13 two ways. We will have goals where the  
14 incentives of management will be tied, in  
15 part, to service-quality goals. So we will  
16 have goals in that vein. What I can't do is  
17 set an arbitrary deadline of when  
18 something's going to be fixed without  
19 knowing the amount of work to go into it.  
20 So -- and I've seen the ideas of let's just  
21 set an arbitrary date. Well, setting an  
22 arbitrary date without knowing what all has  
23 to be done won't be a meaningful arbitrary  
24 date. So I think we have to see the work

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 plan, and then we have to commit to the work  
2 plan. And that's the time to set a date.

3 Q. But will the work plan include some  
4 structured reduction, percentage reduction  
5 of complaints or a percentage reduction of  
6 minutes on, you know, your call times --  
7 which, you know, sounds like today are going  
8 far better than before -- but set some real  
9 standards to test against?

10 A. (By Mr. Hauser) The work plan will be the  
11 work necessary to the systems and processes  
12 to achieve the goals that you're talking  
13 about. The work plan will not have as an  
14 expressed goal to answer the phone faster.  
15 What the work plan will be is the changes we  
16 need to make in the systems and processes  
17 that should streamline the work of  
18 FairPoint.

19 Q. Well, then, how do we know whether the plan  
20 is working or not?

21 A. (By Mr. Hauser) Well, I think you should see  
22 continuing improvement by less complaints  
23 coming to you and faster installation or a  
24 higher percentage of installation on time.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           You know, at some point you won't see the  
2           phone getting any faster. There's kind of a  
3           reasonableness to that.

4       A.    (By Mr. Allen) And if I could add to that.  
5           One of the things that David mentioned in  
6           his opening remarks is we have a daily  
7           dashboard, a set of reports, information  
8           that we look at each day that measures each  
9           of the critical areas that we have. Each of  
10          those managers have specific objectives they  
11          have, whether it's down to a cue level or  
12          it's an overall service delivery on time or  
13          getting to a certain service level,  
14          depending on the level of the individual.  
15          So as you get down into the operational end  
16          of it, there are already, and will continue  
17          to be, very specific goals that would take  
18          the results of the work that Vicky and her  
19          team are putting together and translate it  
20          into what we can expect to receive -- or  
21          expect to achieve from a customer  
22          perspective.

23       Q.   One other question, Mr. Allen. The billing  
24          reconciliation project that you described

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 for the 3500 --

2 A. (By Mr. Allen) Thirty-two fifty.

3 Q. -- largest customers -- did I get that  
4 right -- sounds appropriate, admirable, and  
5 I'm sure a relief to those 3500 customers to  
6 be able to see it from beginning to end and  
7 not piecemeal and get to a real solution for  
8 them. What happens to all of the other  
9 customers? What is -- is there a plan to  
10 then roll that same type of approach out to  
11 other business customers, and is there a  
12 plan to do a similar effort with residential  
13 customers?

14 A. (By Mr. Allen) Okay. A very good question.  
15 There's different attributes to those  
16 particular customers that we chose. They  
17 typically have a summary bill associated  
18 with it, which means you have multiple  
19 locations. You have a parent, if you will,  
20 or a parent company, and they have multiple  
21 locations and multiple bills that are  
22 associated with that. So each local  
23 exchange may get a bill, or they roll up to  
24 one particular summary bill. That was a

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 particular functionality that we had  
2 difficulty with. So the requirement to go  
3 back and do the individual reconciliation  
4 around those kinds of bills -- and that's  
5 one example -- was what really drove that  
6 list of 3250.

7 We also have for, I'll call it the mass  
8 billing, which would be all the consumer and  
9 a lot of the smaller business customers --  
10 there's a process in place that, before any  
11 bill cycle goes out, there's a group up in  
12 Littleton, New Hampshire that reviews a  
13 sampling of the bills to look for any errors  
14 by product type. And as they're identified,  
15 that's what we've been reporting as far as  
16 bills with known errors. That's what comes  
17 out of that. And at this point, there's  
18 also a twice-a-week call with the customer  
19 service reps to try to identify where  
20 they're seeing any kind of trends in calls  
21 that are coming in with people that have  
22 bill questions so that those can be  
23 corrected.

24 So there's been a fairly stringent

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 process, needs to continue on because it's  
2 not perfect at this point on the consumer  
3 side, to make sure that those bills  
4 continually improve.

5 On the business side, because they're  
6 so unique in the requirements for a large  
7 business customer or educational or  
8 government customer, they required a  
9 separate reconciliation.

10 Q. Well, we are continuing to see very high  
11 complaint numbers related to billing. And  
12 you've all acknowledged that and know you  
13 need to work on it. So how do we -- it  
14 would be a shame to have to tell a  
15 residential customer, "I'm sorry. Your bill  
16 isn't complex enough to be evaluated from  
17 beginning to end." It needs to be solved  
18 for them.

19 A. (By Mr. Allen) Correct.

20 Q. -- it's a frustration to them. And month to  
21 month the same problem is still there and  
22 they call back again, and that gets added in  
23 to the same complaint statistics month after  
24 month. So how do we help them get to the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 bottom of it?

2 A. (By Mr. Allen) Yeah, what -- the actual  
3 scrutiny on residential customers right from  
4 the beginning has been far more complete  
5 than it was on the business customers. The  
6 reason for the separate project on the  
7 business customers was that was not  
8 occurring. We've identified primarily if --  
9 and you're absolutely right. The largest  
10 percentage of escalations that come in are  
11 for billing issues. We've identified what  
12 those are. In many instances what we find  
13 is that we've identified the fix, we've put  
14 it in place. But the way the bill cycle  
15 works, given that a customer gets a bill  
16 once a month, by the time they see the  
17 change or the correction, the credit, or in  
18 some instances we've undercharged them and  
19 we make the adjustment that way, will not be  
20 seen until the next billing cycle. So, the  
21 scrutiny and the diligence necessary on the  
22 consumer bills needs to at least stay at the  
23 level it's at, which, again, is higher than  
24 it's been for the other areas. What we

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 initiated with the business billing and the  
2 wholesale billing were that those areas did  
3 not have the same level of scrutiny that the  
4 consumer customers did have. So, the sense  
5 of both urgency and prioritization for the  
6 residential customer is absolutely as high  
7 as it is with any customer that we have to  
8 ensure they get a correct bill.

9 A. (By Mr. Nixon) Let me, if I might, also  
10 comment. We have initiated a switch-to-bill  
11 audit. And what that will do, it looks at  
12 the actual services that the customers are  
13 receiving coming out of our switches and  
14 will reconcile that against what they're  
15 being billed for. And so one of -- if you  
16 look back, and one of the issues where the  
17 complaints that the customers are receiving  
18 and calling you all about is one of the ways  
19 to go back to root cause centers: What are  
20 they actually getting for service from the  
21 switch and how do we reconcile that against  
22 the bill. So we're going through that  
23 audit. It has been already initiated, and  
24 we're underway to complete that process.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Mr. Allen) The last thing I would also  
2 mention is a lot of things that show up as a  
3 billing problem -- and they are truly a  
4 billing problem; the customer got the wrong  
5 bill -- was caused by something else prior  
6 in this process. So, for example, one of  
7 the complaints we've heard the most of is,  
8 "I disconnected my service and I still get a  
9 bill from FairPoint." That's a function of  
10 completing the disconnect or making sure  
11 that that order went through the system in  
12 its entirety before it went to billing.

13 The billing system, if you look at it  
14 that way, actually did what it was supposed  
15 to do. But the result was not what we  
16 needed it to be for the customer. So as we  
17 look at kind of root-cause assessment of  
18 where the billing problems are, what we're  
19 also identifying is many of those are fixed  
20 by fixing something earlier in the cycle, so  
21 at the end of the day the customer gets a  
22 correct bill.

23 CMSR. VAFIADES: But Jeff,  
24 this switch-to-bill process -- this switch-to-

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 bill that Peter just mentioned --

2 A. (By Mr. Allen) Yes.

3 CMSR. VAFIADES: -- that gets  
4 some of the problems. But it doesn't get it if  
5 it's like an address problem or other issues.  
6 How are you going to get those -- get to those?  
7 I mean, the switch-to-bill auditing does touch  
8 some, but not all the problems.

9 A. (By Mr. Allen) Correct. Yeah, there is an  
10 ongoing -- there's a group, an ARG group  
11 that looks at address reconciliation. One  
12 of the issues that we had, and was far more  
13 significant in the past because of the  
14 clean-up that's been done, is not  
15 necessarily the address was wrong, but it  
16 was different between the different systems.  
17 So it came over in one form. And if you  
18 keep in mind that an order typically has to  
19 flow through multiple systems for  
20 completion, if the address is different or  
21 the phone number's different, or there's  
22 some difference in the data, that's caused  
23 the problem that you're describing. So  
24 the --

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 CMSR. VAFIADES: I know. But  
2 shouldn't there be a customer expectation that  
3 after nine months, if they came over from the  
4 Verizon system, that the data should be  
5 reconciled by now if their address was wrong? I  
6 mean, you know, it's nine months you've had these  
7 folks. I mean, I just -- this audit process that  
8 Peter just mentioned is not going to get to those  
9 customer issues.

10 A. (By Mr. Allen) No. And almost anyone that I  
11 can think of that would fall into that  
12 particular category would have been somebody  
13 that would have to have done some  
14 transaction on their bill. So if they've  
15 gotten a bill for nine months, they've  
16 gotten a bill for nine months and nothing's  
17 changed. So there hasn't been an issue with  
18 that. If somebody makes a change to their  
19 order, and they put the order in with a  
20 particular address, Room 100, and in the --  
21 one of the billing systems it's Suite 100,  
22 that falls out. It drops out and needs  
23 manual handling. And then what we need to  
24 do is go back in and make the address

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 consistent across all the areas. So it's  
2 not a function that we have a customer  
3 that's been getting an incorrect bill for  
4 nine months because the wrong address is  
5 there. I'm not going to say it never  
6 happened. But that's not what is -- what  
7 I'm describing. It's somebody made a  
8 change, and what was entered in the system  
9 the first time, if you will, was different  
10 than what was previously in the system.

11 CHAIRMAN GETZ: Are there any  
12 other organizational questions of that nature  
13 before we turn on to other operational issues?  
14 Commissioner Vafiades.

15 **EXAMINATION**

16 **BY CMSR. VAFIADES:**

17 Q. I only have one question, Mr. Hauser. When  
18 you were talking about, "We'll identify the  
19 problems, but we can't commit to when  
20 they'll be fixed" -- and I understand that's  
21 a wise course, especially after only two  
22 months on the job. But, you know, there is  
23 one area that is -- that I wish you would  
24 commit the time to get them fixed, and

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           that's backlog. One place where I think you  
2           could improve significant relations with the  
3           CLECs, and I think they're justified in  
4           being frustrated, is to set a time when  
5           their -- there were backlogs created in the  
6           dark period when you were -- all the systems  
7           were being shut down and switched. And that  
8           created a backlog. Just that significant  
9           period of time. And those -- although  
10          FairPoint's data indicates that there's  
11          significant improvement, the CLECs in Maine,  
12          at least, are reporting that they're not  
13          making significant -- that you're not  
14          making -- from their experience, that you're  
15          not making significant improvements to  
16          assist them. Is there some commitment you  
17          could make to get that backlog cleaned up,  
18          please?

19        A.    (By Mr. Hauser) Well, let me suggest this:  
20              We're having the meetings with the CLECs --  
21              what are they at?

22        A.    (By Ms. Weatherwax) The 15th and 16th.

23        A.    (By Mr. Hauser) The 15th and 16th?

24        A.    (By Ms. Weatherwax) Yes.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Mr. Hauser) And then the 28th and --

2 A. (By Ms. Weatherwax) The 29th and 30th.

3 A. (By Mr. Hauser) 29th and 30th. I would say  
4 after those meetings we will have a better  
5 grasp on the issues. So let us see what we  
6 learn at those meetings and see what  
7 commitment we can make.

8 A. (By Mr. Allen) Well, let me answer that. I  
9 am not aware of any order that still exists  
10 in the backlog from that period of time.  
11 The backlog, the current number of late  
12 orders in CLECs, is lower than it is for  
13 retail. And it is -- as a percentage of  
14 total orders, it's substantially lower.

15 So, one of the reasons to bring the  
16 group in is to make sure that we're talking  
17 about the same set of facts and we're not  
18 dealing with two different perceptions.

19 A. (By Mr. Hauser) I do think that's very  
20 important. We're having them come in. If  
21 there is an issue that somehow we're --  
22 there's a miscommunication or just a lack of  
23 information, we would like them to bring it  
24 to our attention.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Ms. Weatherwax) And that would be a  
2 specific question that I ask next week.

3 Q. So you'll be asking them about specific  
4 backlogs.

5 A. (By Ms. Weatherwax) Backlogs --

6 Q. Because I hear management saying at this  
7 point there isn't one, so we don't have to  
8 commit to have it cleaned up. And I will  
9 get back to you on that. But I hope that  
10 you will make an inquiry of specific --

11 A. (By Ms. Weatherwax) I'll be on the meeting,  
12 on the CLEC meeting tomorrow, and I will ask  
13 that question.

14 Q. Thank you.

15 **EXAMINATION**

16 **BY MR. BURKE:**

17 Q. Ms. Weatherwax, while you're on that topic,  
18 if I could. You -- a lot of the CLECs have  
19 indicated -- and I'm going to hold most of  
20 these for the operational questions later.  
21 But on an organizational basis, a lot of  
22 them have really felt, if we're going to try  
23 to get by the manual work-around -- which is  
24 a problem for you as far as labor-intensive

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 is concerned, and a problem for them as far  
2 as labor-intensive is concerned, and  
3 ultimately a problem for our customers and  
4 higher costs to be shared all the way  
5 around -- why is it -- have you got plans to  
6 actually visit individually with CLECs, or  
7 at least the larger CLECs, and try to work  
8 out the individual problems each might have  
9 with regard to customer service for them and  
10 billing problems, et cetera? Are you going  
11 to have individual meetings, or is this  
12 going to be a one-size-fits-all type  
13 meeting?

14 A. (By Ms. Weatherwax) We're trying to do it  
15 together with all of them so that we don't  
16 have any representation that we're playing  
17 favorites. But as required or as requested,  
18 I would certainly make my team or myself  
19 available.

20 Q. Thank you.

21 CHAIRMAN GETZ: Okay. Then  
22 I'll turn to Chairman Reishus to begin some  
23 questions on the operational issues.

24 CHAIRMAN REISHUS: All right.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

1 Great. Thank you, Chairman Getz.

2 **EXAMINATION**

3 **BY CHAIRMAN REISHUS:**

4 Q. Let me start by acknowledging, because  
5 certainly the Maine Staff and Liberty Group,  
6 the consultant firm that all three states  
7 have been using to monitor your performance,  
8 I think would agree that there have been  
9 significant improvements since cutover in at  
10 least a few areas. And I think your  
11 statistics regarding your call center's  
12 answering time this morning, for example --  
13 or this afternoon, is an example of that.  
14 And I appreciate I think both Mr. Hauser and  
15 Allen noting that the network itself is  
16 working well and has since cutover, and so  
17 that customer's ability to make and receive  
18 calls has been not affected by some of these  
19 other problems.

20 But it certainly is true that there are  
21 a number of problems that remain on the  
22 operational area, and we have not seen the  
23 significant progress that we would have  
24 hoped to have seen by now. I believe it's

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Liberty that identified, for example, that  
2 the flow of orders, including the frequency  
3 of order fall-out and the continuing  
4 difficulties submitting orders and the  
5 provisioning system is still a large  
6 problem. They've also seen that the high  
7 percentage of late orders and orders that  
8 have been late for a significant length of  
9 time for both wholesale and retail customers  
10 continues. In Maine, we get reports every  
11 week about the billing errors, again, for  
12 both retail and wholesale. And I think,  
13 although there's been improvement, I am  
14 still not satisfied with the resolution of  
15 the escalation orders that have been  
16 referred to you from our PUC. And I know  
17 Commissioner Vafiades was going to ask the  
18 majority of the questions on a number of  
19 specific areas regarding the data and  
20 flow-through. But I guess I just have a  
21 couple fundamental questions.

22 What are you doing to identify, for  
23 example, the system problems or data  
24 problems, whatever it is that is causing the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 fall-out of orders? And what are you doing  
2 to try and address the, what appears to be  
3 very poorly designed manual processes to try  
4 and force these orders through your system?  
5 Because we've seen month after month that  
6 way too many orders are being handled by  
7 hand, and it's clearly not effective. I'd  
8 like to hear overall what you're doing.

9 And I understand that, you know, Ms.  
10 Weatherwax, your four-page report to us  
11 tries to address some of that. But I'd like  
12 to hear some details about what you're doing  
13 to address these issues.

14 A. (By Ms. Weatherwax) We've had internal  
15 meetings with several groups in our company.  
16 All of the business units came with the CMES  
17 that worked the orders. And we did an  
18 end-to-end evaluation of the problems that  
19 they, the folks that are working the orders,  
20 have every day. And we identified several  
21 areas, the ones -- some of them that are  
22 already being addressed: The billing and  
23 the CLEC, wholesale ESG repair. And we  
24 began some initiatives to begin taking care

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 of some of the end-to-end problems. We're  
2 also doing the evaluation with the CLECs.  
3 And day to day, there's also work that's  
4 being done on by -- Liberty came in and  
5 looked at some of the orders that the CLECs  
6 had. We're going to be using some of the  
7 information that they gave us that was quite  
8 useful to do some evaluation. There's a  
9 meeting tomorrow to go over their findings  
10 that they submitted today. Jeff's team has  
11 started many initiatives to start fixing  
12 some of the processes. There's training.  
13 There's... the IT group is doing changes  
14 every day. There was 87 enhancements that  
15 were implemented on the 3rd of September.  
16 There's 38 that I know that are scheduled  
17 for the 17th. We're doing changes every two  
18 weeks to the systems. They were being done  
19 every day. And so we're trying to slow that  
20 down so that we can make sure that we're not  
21 affecting the processes, that we're looking  
22 at it end-to-end.

23 A. (By Mr. Hauser) And Vicky, help me remember.  
24 When you did your end-to-end, you ticked

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 off, I think, eleven --

2 A. (By Ms. Weatherwax) Eleven.

3 A. (By Mr. Hauser) -- projects.

4 A. (By Ms. Weatherwax) Eleven different  
5 projects. And some of them were already  
6 underway, and we brought them into the new  
7 PMO structure. And some of them we kicked  
8 off as new initiatives, working with, again,  
9 the IT team and Jeff's team, and making sure  
10 that we get the right stakeholders so that  
11 we can drill down and find the systemic  
12 problems, whether they be processes or  
13 systems, and come up with solutions, working  
14 with the teams for priorities, and making  
15 sure that we're using our resources  
16 effectively. I'm sorry, Jeff.

17 A. (By Mr. Allen) No, no.

18 A. (By Ms. Weatherwax) Yeah, financially and  
19 people. We have to slow down just a little  
20 bit, just because -- this seems like it's  
21 taking a long time. But to get the  
22 information correctly end-to-end, we have to  
23 be very pragmatic and very methodical in how  
24 we identify what we do with the data,

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           prioritize, group and make sure that we're  
2           taking care of a problem across the order  
3           flow or process flow.

4       A.    (By Mr. Allen) The only thing I was going to  
5           add was just a little bit more on what Vicky  
6           mentioned, utilizing all the resources. We  
7           had the opportunity to have Liberty come up  
8           for both this past week, as well as the week  
9           before. They looked at, I believe it was 66  
10          orders. Those came from either PUC  
11          complaints, late orders, or were delivered  
12          by the CLECs. So they were designed to be  
13          problem orders. And we could look at them  
14          from beginning to end and identify what  
15          caused the problem, what was the fix, and  
16          what could have been done differently, or  
17          what should be done, more importantly,  
18          differently in the future so that same  
19          problem doesn't exist. So, wherever we have  
20          some different available resources available  
21          to us -- this was a good one with Liberty,  
22          because you had a very knowledgeable group  
23          that could give us very detailed, specific  
24          orders that we could work with. They worked

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 with our experts to come up with some things  
2 that we could implement right away on  
3 Q management.

4 Q. And are some of those fixes that you found  
5 regarding the Liberty most recent report  
6 regarding the 66 audits of problems. Are  
7 those applicable across a broader array of  
8 problems, do you think?

9 A. (By Mr. Allen) They are. What you find is  
10 they fall into different categories. And  
11 given that they looked at each of the  
12 product -- or the business segments, both  
13 business, residential and wholesale  
14 customers that we chose to pull these from.  
15 And given the fact that they were all in  
16 some way, shape or form either late or a  
17 complaint, it gave us a really good sample  
18 size, if you will, to then draw up some  
19 different things that we could use across  
20 the board of group of orders. For example,  
21 there were in the first 19 that they looked  
22 at, there were three or four -- I don't  
23 recall exactly -- orders that did complete  
24 on time, but we didn't close it out in the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 system on time. So there was a Q management  
2 piece. There was a number of orders that we  
3 found got started late because they went to  
4 the wrong group. And the reason they went  
5 to the wrong group was there was a wrong  
6 assignment. It was very similar --  
7 different than the customer address, but  
8 similar in that regard, in that a -- there's  
9 a tie or an identifier that identifies what  
10 group should work on a particular kind of  
11 customer. So we were able in a week to put  
12 a very small group together to fix those tie  
13 codes and eliminate that problem going  
14 forward. So it doesn't fix all the problems  
15 overnight, but it certainly accelerated our  
16 ability to identify some root causes and put  
17 some fixes in place.

18 **EXAMINATION**

19 **BY CMSR. VAFIADES:**

20 Q. When you use that process -- because we have  
21 the information from Liberty now on those 66  
22 cases. When you use that process, Jeff, one  
23 of the things that we've been concerned  
24 about is that you identify problems, apply a

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 manual or a temporary fix, and then you have  
2 the problem again the next month. Now, it  
3 sounds like the process of the problem  
4 identification that Liberty used starting  
5 from the problem with the case and working  
6 back through it, with the assistance of your  
7 staff, your employees, has been helpful in  
8 uncovering problems. And what you just said  
9 was, even though it's a small problem, we  
10 can put in a permanent fix. Is that -- did  
11 I hear you correct?

12 A. (By Mr. Allen) Let me qualify that.

13 Q. That would have been a "Yes," Jeff.

14 A. (By Mr. Allen) Well, I know. Let me re --  
15 no, because there's two answers to that.  
16 There's a big part of what Vicky and her  
17 team are doing from a systemic standpoint,  
18 which takes a longer period of time, goes  
19 through the processes she's described, is  
20 automating the process overall. If you look  
21 at the 66 orders that were reviewed, the  
22 large majority of those should not have  
23 fallen into a cue to begin with. So what  
24 we've been able to identify is a fix, if you

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 will, a fix that works all the time now so  
2 we can improve our results --

3 Q. So it's a prospective fix, not worrying  
4 about the retrospective problems or --

5 A. (By Mr. Allen) Well, it would -- in these  
6 particular examples, these are order entry  
7 or order processing problems. So any order  
8 that would be in place would -- you could  
9 apply this to. But it wouldn't apply to  
10 anything that had already been completed,  
11 obviously.

12 But what it fixes, is it fixes our  
13 ability to get our delivery percentages up  
14 dramatically from the 78 percent that were  
15 on time today up into the 90-percent range.  
16 The right answer, and the complete answer,  
17 is the work that Vicky and her team do,  
18 which identifies here's what needs to happen  
19 from either a system or a process standpoint  
20 so that that particular transaction doesn't  
21 fall into the cue to begin with. So that is  
22 the longer-term permanent fix, sustainable,  
23 far more efficient. But as was mentioned  
24 today, and it's certainly our feeling, is we

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 can't not improve the level of service up to  
2 that 95-percent level while we're putting in  
3 place our permanent fixes.

4 The other major advantage of this is it  
5 tells you exactly what provisioning plan you  
6 should have and what processes you should  
7 have, and it makes the system fixes a lot  
8 easier because now you know what you have to  
9 automate.

10 Q. So if you -- let's talk about, then, just  
11 briefly -- and then I want to talk about  
12 data -- unsubmitted orders. Now, basically  
13 when we've talked about unsubmitted orders,  
14 you've given us a range that, you know,  
15 there's always going to be a couple thousand  
16 unsubmitted orders that come in and go out.  
17 But one of the issues, at least at the  
18 beginning of July -- and maybe you've  
19 improved this. And if you have, I'd like to  
20 know that you have and how -- is that the  
21 percentage -- there's a number of orders  
22 that remain unsubmitted over 30 days. So,  
23 although it's been submitted and you still  
24 have this relative range of numbers, there

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 are some orders that continue to get  
2 unsubmitted after a 30-day period. Liberty  
3 brought that to our attention. That was our  
4 understanding around the middle of July. Is  
5 that still true? Do you have that data that  
6 you're working with, and is that something  
7 that can be resolved? Because that  
8 doesn't -- I don't draw comfort from the  
9 fact that you still have the relative same  
10 numbers, but some of these people, their  
11 order hasn't even been submitted after 30  
12 days.

13 A. (By Mr. Allen) Keep in mind, anything that  
14 goes in unsubmitted goes in for a variety of  
15 reasons -- many instances, customer  
16 requirements or facility requirements. So,  
17 for example, I think -- believe the last  
18 time we were together we used an example of  
19 a customer that is moving into a new  
20 apartment. They may place an order for a  
21 service when they're going to move in. If  
22 they're going to move in October 1st, they  
23 place the order today. The normal interval  
24 if we put that through the system wouldn't

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 work, because the normal interval for a POTS  
2 order might be three days. So it goes into  
3 an unsubmitted category waiting for the time  
4 frame that we should push it through the  
5 system to get the customer's service. There  
6 are also orders in unsubmitted that are in  
7 there for facility reasons. So they may not  
8 qualify for DSL, let's say, and it goes into  
9 the unsubmitted bucket. So there could be  
10 some orders in there that are more than 30  
11 days that are not problematic. What is  
12 important is to make sure that the ones that  
13 are there for credit or third-party  
14 verification, those are not there for 30  
15 days.

16 Q. So how are you solving that last group you  
17 just described?

18 A. (By Mr. Allen) The...

19 Q. It's on. Oh, I'm sorry.

20 A. (By Mr. Allen) There is a specific group in  
21 the customer operations area that manages  
22 and reports out on the unsubmitteds to me  
23 every day.

24 Q. Okay. Then, that leads me to the next

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 question. Mr. Hauser, you -- in your  
2 opening remarks, you said there's tons of  
3 data out there that you're reviewing every  
4 day and making -- I assume making management  
5 decisions based on that data. And we  
6 actually talked about that before. And  
7 there's an issue, it seems to me, if you  
8 have incomplete or inaccurate data, that  
9 will give you -- that will end up with you  
10 receiving as CEO inaccurate -- an inaccurate  
11 picture of what's going on in your company,  
12 and it will be hard for you to determine how  
13 to improve performance. One of the issues  
14 is inconsistencies in your internal data.  
15 For example, there was some reporting  
16 regarding -- about a database on fixing  
17 inventory issues and also some order --  
18 flow-through orders. And there was some  
19 reporting that was done on a daily basis and  
20 then there was an overall report, and the  
21 numbers were inconsistent. And so  
22 internally, you found that your daily and  
23 weekly numbers weren't matching up to your  
24 aggregate numbers. And I assume, sir, that

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           you're mostly getting accurate numbers.

2                       And so one of the concerns that has  
3           been expressed by the advocates and the  
4           CLECs is that your -- not only is the  
5           reporting difficult to track down, in terms  
6           of the source, but the information that it's  
7           based on is inaccurate and is not to be  
8           relied on. Is that something that you've  
9           looked into, and can you give us some  
10          indication of how you're going to improve  
11          that?

12       A.    (By Mr. Hauser) Yeah. I have looked into  
13          that. And we have a metrics group. And  
14          that metrics group, we have clarified their  
15          accountability. You will find I use that  
16          word a lot. We've clarified their  
17          accountability, such that if there is a  
18          metric being created other than a dollar  
19          figure -- you know, the accountants and the  
20          finance people have their dollar figures.  
21          Other than the dollar figure, that metric  
22          group is in charge of it. And they're in  
23          charge of coordinating all the different  
24          metrics that are out there and making sure

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           that the -- either the math is consistent or  
2           it's inconsistent, and we know why. People  
3           ask for it different ways. From my personal  
4           perspective, I am relying heavily on the  
5           dashboard that is now created that is a  
6           daily and a weekly dashboard. And that is  
7           my focal point. So there's a lot of other  
8           data that comes back. I really believe  
9           there's too much data and because different  
10          people want the data cut different ways.

11        Q.    Can you explain the dashboard and why  
12           it's -- you feel it's reliable and what it  
13           tells you.

14        A.    (By Mr. Hauser) It's Jeff's dashboard. I'll  
15           let him explain it.

16        Q.    So, what Mr. -- Mr. Hauser, are you actually  
17           looking at the same screens that Jeff is  
18           looking, or do you get a hard copy of  
19           whatever --

20        A.    (By Mr. Hauser) I get it on the screen. I  
21           actually -- it's done daily. I really only  
22           look at it weekly. It's done daily and  
23           weekly.

24        Q.    All right. Now I'm going to let Jeff

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 explain it in just a second.

2 The other thing is, when you were  
3 visiting, you indicated that you would let  
4 the -- that the regulators and the advocates  
5 would be able to see the same report  
6 information that you see on a regular basis.  
7 We haven't seen it yet. Do you have a plan  
8 to provide that to us?

9 A. (By Mr. Hauser) Well, we had the discussion  
10 earlier of pulling the different reports  
11 together and trying to come up with one  
12 report that fit everybody's needs. And  
13 that's what I would like to do. And it  
14 would be great for me if it was the  
15 dashboard. But this is the report that  
16 Peter talked about earlier, to come together  
17 with one report.

18 Q. Okay. But that's what you -- is that going  
19 to be an additional report that you're going  
20 to be relying on to make management  
21 decisions, or is this something new that  
22 you're just preparing for the regulators and  
23 the advocates, or what is this?

24 A. (By Mr. Hauser) Well --

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Q. I understand -- I listened to Peter, but --

2 A. (By Mr. Hauser) Let me tell you what my hope  
3 would be.

4 Q. All right.

5 A. (By Mr. Hauser) I think the business -- the  
6 management information that I need and the  
7 regulatory information that you need is  
8 pretty closely aligned, I would hope. And  
9 so I would hope we end up with a set of  
10 reports that are the same reports, so the  
11 set of data that you're looking at and the  
12 set of data that I'm looking at parallel  
13 each other and then we can have intelligent  
14 conversation about the facts.

15 Q. All right. So when Peter has that together,  
16 you'll get it and you'll share it with us;  
17 is that correct?

18 A. (By Mr. Hauser) I think that's right.

19 That's the plan; right, Peter?

20 A. (By Mr. Nixon) And the dashboard that I have  
21 circulated is predominantly taken off a  
22 bi-weekly report that I have sent and that  
23 we're working on with Liberty, predominantly  
24 came from the dashboard Mr. Hauser's

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 referring to. So the intent there is  
2 whatever information, possible information  
3 that we're looking at, you will look at  
4 also.

5 Q. So, Mr. Nixon, I understand you're kind of  
6 vetting it out there and getting some  
7 responses to it. Is that correct or --

8 A. (By Mr. Nixon) No. What I've done is I'm  
9 working -- I'm working through with Liberty  
10 to go through the report. I was asked  
11 specifically at several hearings for other  
12 parties, particularly the CLECs, to provide  
13 input into that dashboard, which I said I  
14 would do. So the process is for me to  
15 finish putting the template together with  
16 Liberty and then to provide it to the  
17 stakeholders so that they can provide input  
18 on it. So that would include the Staff,  
19 OPA, the OCA and the CLEC community.

20 Q. What's your time frame again? I'm sorry if  
21 I missed it, Mr. Nixon.

22 A. (By Mr. Nixon) Oh, I'm sorry. It, again,  
23 assumes within 10 days I'll have it out to  
24 the group, to the communities to look at.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Q. Okay. Thank you. Mr. Allen, did you want  
2 to describe the dashboard in a little more  
3 detail or --

4 A. (By Mr. Allen) If you would like, I'd be  
5 glad to.

6 Q. Just briefly.

7 A. (By Mr. Allen) Very briefly, it has the call  
8 center stats, statistics, all the major  
9 things that you would expect -- calls,  
10 service levels, abandonment rates, et  
11 cetera -- for the major call centers. It  
12 has a status on our meantime to repair,  
13 status on installation percentage on time.  
14 For company reasons and for customer  
15 reasons, it has the total number of  
16 escalations from one day or one week,  
17 depending on which one you look at, to the  
18 next; how many were closed; in what areas  
19 that they're predominantly from, whether  
20 it's billing or late orders, et cetera. And  
21 it has a couple other items that -- of  
22 operational items, as far as performance.

23 CMSR. VAFIADES: Okay. Go  
24 ahead.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 CMSR. BURKE: So this would  
2 give our consumer advocates and our consumer  
3 representatives a chance in the various states to  
4 be able to, on a daily basis, reconcile the kind  
5 of stats they're getting and the calls that  
6 they're receiving on a complaint basis with what  
7 you're showing on the dashboard is what you'd be  
8 able to do.

9 A. (By Mr. Allen) Well, not specifically. The  
10 dashboard is a summary of the total numbers.  
11 What we've done with each of the states is  
12 twice a week we provide them the backup  
13 detail of every one of the open and closed  
14 escalations that we've received and the  
15 status of those. And then what we've  
16 recently done in, I know in Vermont, I  
17 believe in New Hampshire, or we're about to,  
18 is to then reconcile that with the consumer  
19 folks to make sure that we're all consistent  
20 with the information.

21 **BY CMSR. VAFIADES (CONT'D):**

22 Q. I had some questions about customer service.  
23 I think most of them have been dealt with,  
24 in terms of the repair center, the billing

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 issues and the difference between your known  
2 billing and actually how that definition  
3 doesn't include if there's an upstream  
4 problem in billing, that that's not caught.  
5 And we've talked about how you're dealing  
6 with that. And the -- and Chairman Reishus  
7 asked about the over-reliance on manual  
8 processes, which I think is -- it's still a  
9 question in my mind, but I'll try to get it  
10 more specific and -- but one of the things,  
11 you know, where your statistics on the  
12 retail call center are helpful, one of the  
13 things we see from the advocates -- and I  
14 wanted to know if you are going -- if you're  
15 going to try to address this -- is the, what  
16 we call customer experience. I mean,  
17 Liberty has brought that to -- the public --  
18 the advocates have brought that to our  
19 attention, and Liberty's brought that to our  
20 attention.

21 All right. So you get answered within  
22 20 seconds, which is a significant  
23 improvement. I really want to congratulate  
24 you for that, that we -- it's caused our

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 work to go down by people not calling and  
2 saying they never answer the phone, which is  
3 difficult to explain when you're in the  
4 telephone business.

5 But the question about the call center,  
6 is the information, now that you've been up  
7 and running for a number of months, of the  
8 data behind that -- in other words, other  
9 helpful measurements would -- could be the  
10 number of issues resolved without repeat  
11 calls, the number of customer call-backs  
12 required. We keep these kinds of  
13 statistics, in terms of trying to determine  
14 customer satisfaction. The number of  
15 transfers the person had to go through  
16 before they got to a real person who could  
17 help them with their problem, and the  
18 average time they were waiting in between  
19 those transfers and got disconnected or gave  
20 up or whatever -- I mean, at some point,  
21 getting some -- helping us with  
22 customer-satisfaction data -- which you  
23 should be at the point of really wanting to  
24 understand the customer experience. Are you

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 looking at some of that data underneath the  
2 calls in the call centers, especially at the  
3 retail level?

4 A. (By Mr. Allen) Yes. I would tell you we are  
5 in the early stages of looking at that. Our  
6 major focus had been much more on the  
7 quantifiable numbers of making sure we could  
8 answer the phone, talk to the customers and  
9 answer very quickly and professionally.  
10 There have been some anecdotal pieces that  
11 the customer service reps have provided.  
12 And they provide it on a regular basis, as  
13 far as the reasons people call, their  
14 ability to resolve the issue, as I  
15 mentioned, if there's a billing issue,  
16 what's causing the billing issue. There is  
17 a spreadsheet that's created on a daily  
18 basis so we can track those. And then those  
19 become the prioritization items of things  
20 that we either want to get answers for or  
21 get resolved so that more customers are  
22 happier once they talk to our reps. But it  
23 is on a -- it's in a fairly early stage to  
24 get down to the quality level of making sure

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 that we're capturing all of the right  
2 information, we're providing the absolute  
3 best customer experience we can.

4 Q. So when will that sort of the qualitative  
5 data be collected and analyzed?

6 A. (By Mr. Allen) Well, to some extent it is  
7 right now, as I mentioned, like for the  
8 billing piece and such. But I would have to  
9 get back to you with what the plan is for  
10 quality assurance, if you will, within the  
11 call center. I'd have to check with our  
12 person that runs that.

13 Q. Would you do that?

14 A. (By Mr. Allen) I will do that.

15 Q. Thank you.

16 Ms. Weatherwax, I wanted to talk to you  
17 a little bit about your plan.

18 A. (By Ms. Weatherwax) Okay.

19 Q. We've talked about it, and I just want to  
20 make sure that I understand it. I now  
21 understand the east to west. In fact, those  
22 of us in northern Maine, if you have time,  
23 wouldn't mind if you built a east-to-west  
24 highway, since we haven't -- that's been an

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 issue for us up here. So if you get this  
2 solved, we'd like you to move to the highway  
3 department.

4 A. (By Ms. Weatherwax) I'm going to need a job,  
5 I understand.

6 Q. Yes. Right. You're going to need another  
7 one if you're successful, apparently.

8 So my understanding is you basically  
9 had a start date of July 1st, and you have  
10 an end date -- talking about plan  
11 development here -- of basically  
12 November 30th, which is kind of the out  
13 date, at least on the plan we've seen. And  
14 so we're a couple months into it now. And  
15 have you been moving issues to the  
16 short-term process as you've been going  
17 along? And could you give us a brief  
18 summary of updating that, of what has been  
19 dealt with that you've discovered in the  
20 last couple of months?

21 A. (By Ms. Weatherwax) Yes. Those are the  
22 short-term initiatives that you see on  
23 the --

24 Q. Those two, customer delivery and enterprise

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 services?

2 A. (By Ms. Weatherwax) -- final page. Customer  
3 delivery, POTs, end-to-end initiative; DSL,  
4 end-to-end initiative; collections; repair;  
5 wholesale end-to-end; ESG.

6 Q. Where's that? Is that in your plan?

7 A. (By Ms. Weatherwax) It's on the -- it's on  
8 the schedule.

9 Q. Oh, I see. That's the intermediate-term  
10 process? I'm just trying to read your  
11 headings.

12 A. (By Ms. Weatherwax) No, this is the  
13 short-term that you see up at the top. I'm  
14 sorry. I put this on a -- took it out of --  
15 intermediate. And then on the second page  
16 it says "short term." So, those initiatives  
17 are the ones --

18 Q. I'm on Page 2. It says intermediate-term  
19 process, internal, and then the list you  
20 just gave. Have I got that right, or have I  
21 got -- you got a different plan than I have?

22 A. (By Ms. Weatherwax) I'm on the schedule.

23 Q. Oh, on the schedule. Okay.

24 A. (By Ms. Weatherwax) Sorry.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Q. That's okay. I see that. All right. So  
2 those are the short-term, not the  
3 intermediate term; is that right?

4 A. (By Ms. Weatherwax) Yes.

5 Q. Okay.

6 A. (By Ms. Weatherwax) The intermediate are  
7 the -- it's the CLEC evaluation and the  
8 internal meetings that I had with the  
9 end-to-end groups.

10 Q. Okay. In regard to that, the CLEC  
11 meetings -- let me just hold on a second  
12 while I find it. Okay. Here it is. Oh,  
13 no. I'll ask you that. I'm sorry.

14 Okay. And then in the long-term  
15 process, you're focusing on customer, what  
16 you called the customer delivery process.

17 A. (By Ms. Weatherwax) Yes.

18 Q. And you have a request for information  
19 stage. You find out --

20 A. (By Ms. Weatherwax) Which is completed.

21 Q. Right. And then you have the request for  
22 proposal. Where is that?

23 A. (By Ms. Weatherwax) We -- I sent the RFP out  
24 last week. I'll get the responses back from

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 the four vendors that we chose Monday --

2 Q. And then you're choosing them on the 17th?

3 A. (By Ms. Weatherwax) Yes.

4 Q. Okay.

5 A. (By Ms. Weatherwax) And then our hope is to  
6 have them in by the end of this month.

7 They're going to be working in Portland or  
8 New Hampshire, or even Burlington, in the  
9 call centers and with the -- work with the  
10 working groups --

11 Q. And then we have --

12 CMSR. BELOW: Could I get --

13 CMSR. VAFIADES: Go ahead.

14 CMSR. BELOW: Can I get a

15 clarification then? Do you expect to hire all  
16 four vendors or some -- does it depend on their  
17 responses?

18 A. (By Ms. Weatherwax) It depends on their  
19 responses. We'll be evaluating it. We may  
20 hire one and we may hire two, three. I  
21 don't know until I see what they came...

22 **BY CMSR. VAFIADES (CONT'D):**

23 Q. And then they will complete their evaluation  
24 by November 19th?

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 A. (By Ms. Weatherwax) Yes.

2 Q. What are you going to do then? I mean, I  
3 know you -- I know -- well, hopefully you  
4 still have a job. And if you do, if you  
5 complete that aspect, what are you -- what  
6 are you going to do then? I mean, I know  
7 you've had -- I didn't think it was fair to  
8 ask you July 1st. But you've been at this  
9 now. And what are you -- what's your plan?

10 A. (By Ms. Weatherwax) Then we're going to  
11 evaluate the solution that they propose. I  
12 will get the executive teams and the  
13 business leads together, and we will put  
14 together a plan on how we're going to  
15 implement, whether it be use them or use our  
16 internal teams to do it, depending on what  
17 their solution is.

18 Q. All right. So you'd be looking internally  
19 to evaluate what the --

20 A. (By Ms. Weatherwax) How to --

21 Q. Go ahead.

22 A. (By Ms. Weatherwax) How to effectively do it  
23 with the resources that we have. It will be  
24 dependent on qualifications and people's

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 expertise and who we have in-house and,  
2 additionally, how many people we have.

3 CMSR. COEN: Excuse me.

4 Q. Mr. Hauser --

5 CMSR. COEN: Could I ask a  
6 follow-up?

7 CMSR. VAFIADES: Sure. Go  
8 ahead.

9 A. (By Ms. Weatherwax) Sure.

10 CMSR. COEN: And what is the  
11 time frame for that? You'd be getting this  
12 November 19th. How long will it take you to turn  
13 around, evaluate this and implement it?

14 A. (By Ms. Weatherwax) My hope is to evaluate  
15 it very quickly. I don't have a firm date.  
16 I'm sorry.

17 CMSR. COEN: What does  
18 "quickly" mean to you?

19 A. (By Ms. Weatherwax) By the end of November.

20 CMSR. COEN: Thank you.

21 A. (By Mr. Hauser) So the concept is, that I  
22 have in mind, and I think Vicky and I are  
23 aligned, is we will have what I would call a  
24 clear-cut work plan with, again, charts and

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 all that kind of -- where you can see the  
2 steps we've decided to take and the dates  
3 that those steps will be implemented. And  
4 so that's what she is shooting to have  
5 November 30th --

6 A. (By Ms. Weatherwax) Right.

7 A. (By Mr. Hauser) -- After the presentation on  
8 the 19th.

9 A. (By Ms. Weatherwax) Yes.

10 **BY CMSR. VAFIADES (CONT'D):**

11 Q. What if the conclusion of the outside  
12 consultants and your internal team is that  
13 you need additional resources? And I know  
14 you said depending on what resources were  
15 available about -- and I don't think it's  
16 fair for you to answer the question. I'm  
17 asking Mr. Hauser to answer the question  
18 about where are you going to be at. I mean,  
19 you understand we feel -- I know you've only  
20 been at this two months. But we feel a  
21 greater sense of urgency than you do, I  
22 think. Maybe you feel a greater sense  
23 than --

24 A. (By Mr. Hauser) I don't think so.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 Q. No. Well, I know you're doing the  
2 financial. But I'm just wondering if you're  
3 doing this other piece.

4 A. (By Mr. Hauser) Oh, no. I've got the whole  
5 thing.

6 Q. Okay.

7 A. (By Mr. Hauser) I understand. I have a huge  
8 sense of urgency. This -- I mean, let's  
9 face it. Northern New England is what makes  
10 or breaks FairPoint now and tomorrow and  
11 next week, and as far as I can see. And so  
12 we will do the things we need to do in order  
13 to provide the service to the customers of  
14 FairPoint. Now, when we get into this, we  
15 may have some debate about, you know, some  
16 piece of it costs \$10 million and it's not  
17 worth it, for example. So you'll have  
18 debates about individual pieces. But in  
19 total, we're going to do the work to have  
20 the systems, the processes and the training  
21 in place so that the customer experience is  
22 what it ought to be.

23 Q. Let me ask you a very basic question based  
24 on that. I wasn't going to ask this, but

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 now I'm going to.

2 I was driving up here and I heard an ad  
3 on the radio from FairPoint that I could  
4 get, if I -- you know, with all the  
5 caveats -- phone service and DSL service for  
6 \$44.95. Now, if I called today, how soon  
7 would I get that service, guaranteed by you,  
8 Mr. Hauser?

9 A. (By Mr. Hauser) Let's see. Well, I would be  
10 very disappointed if you didn't have it in a  
11 week.

12 Jeff, would I be disappointed?

13 A. (By Mr. Allen) You would be very  
14 disappointed, as would I.

15 Q. And I hope that the customer wouldn't be.  
16 Correct?

17 A. (By Mr. Hauser) In other words, the customer  
18 would get it within a week.

19 A. (By Mr. Allen) Correct.

20 Q. I have two final questions. Thank you for  
21 your indulgence.

22 There were a couple of Maine-specific  
23 solutions that were suggested. One was our  
24 CLEC -- one of our CLECs suggested, in

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 addition to your topical meeting groups, you  
2 know, the ones you have planned in the next  
3 couple of weeks. But they were suggesting  
4 that you needed to, in addition, to look at  
5 a trouble tickets group, administration  
6 group; hot-cut process; billing errors  
7 group. That was in the September 2nd filing  
8 by Mid-Maine Communications.

9 Are you open to providing -- I mean, if  
10 this process goes well with the CLECs -- and  
11 I understand. I'm not trying to define what  
12 "goes well" means. But if this is  
13 productive, if the process with the CLECs is  
14 productive in the next few weeks, are you  
15 willing to expand that into these other  
16 areas that they identified, a similar type  
17 of process?

18 A. (By Ms. Weatherwax) We'll always evaluate.

19 A. (By Mr. Allen) Yes, we would. I would be  
20 anxious to do that.

21 Q. All right. And they also recommended that,  
22 based on their frustration, that there be --  
23 with the co-op -- working with the company  
24 and Liberty, that a new internal set of

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 wholesale metrics be developed to try to  
2 meet some specific goals to achieve by the  
3 end of the year in regard to the CLECs. In  
4 other words, this discussion is helpful and  
5 they appreciate being included, but they  
6 want some concrete benchmarks to be able to  
7 determine internally some interim wholesale  
8 measurements. Are you -- I'm sort of giving  
9 you heads-up on what you're going to hear,  
10 too. Are you receptive to doing that?  
11 Somebody?

12 A. (By Mr. Allen) I think that goes back to  
13 what Mr. Nixon mentioned about getting the  
14 metric report out to the wholesale community  
15 to get their input. I would expect that  
16 that would be the point --

17 Q. Well, I wasn't -- I didn't understand it to  
18 mean that you were open to developing new  
19 internal metrics. Is that -- you are?

20 A. (By Mr. Allen) I would assume it's -- I  
21 mean, there's only so many things we can  
22 measure. I would assume it's something that  
23 we measure today. They just are looking for  
24 what the milestones would be.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Mr. Hauser) And my view is we should be  
2 very receptive to the conversation and  
3 understand what they're after. I do want to  
4 be careful on how many measurements we have,  
5 because I do think the more measurements you  
6 have, to some degree, the more confusion it  
7 causes if you're not careful with them.

8 Q. I understand that. And I think people are  
9 turning -- I think groups are turning to  
10 measurements out of frustration of trying to  
11 find -- the company has -- is being  
12 receptive and is willing to, I think be --  
13 we'll see -- but my impression is to be more  
14 transparent about data and hopefully  
15 reconciling the inaccuracies. So when  
16 you -- there's always a reverse to that.  
17 And I think looking to interim metrics is  
18 one way to try to feel confident that you're  
19 making progress -- which the position on the  
20 ground is you're not, especially with the  
21 Maine CLECs.

22 A. (By Mr. Hauser) All right.

23 Q. Okay. I'm sorry about that editorial  
24 comment, but --

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Mr. Hauser) That's okay.

2 Q. The Maine Public Advocate also has suggested  
3 a process that a regulatory consultant  
4 provide oversight of your identified fixes  
5 and the process that you would go through to  
6 fix the OSS systems. And that would be an  
7 independent -- provide independent analysis.  
8 And that individual or consulting group  
9 would be directly responsible and  
10 communicate directly with the advocates and  
11 the regulators, but it would be independent  
12 in addition to what you're already doing.  
13 Have you seen that proposal, and do you have  
14 a reaction to it?

15 A. (By Mr. Hauser) I have seen that proposal.  
16 I do not believe it would be a helpful idea.  
17 As a matter of fact, I believe it would be a  
18 harmful idea.

19 Q. And why would that be?

20 A. (By Mr. Hauser) Well, I think if you look at  
21 it today, we have Liberty as a consultant  
22 that's providing a service. We're going to  
23 hire a consultant through this process. We  
24 will make this consultant that we hire

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 through Vicky's process available to the  
2 Commissions, and can be available to the  
3 Commissions without us there. I'm fine with  
4 that. I think adding an auditor into the  
5 mix, an auditor is going to audit. An  
6 auditor doesn't tend to come up with  
7 solutions, they tend to come up with faults.  
8 And I think it will detract management's  
9 time from doing the job they need to do. My  
10 real goal with Jeff and Vicky is that they  
11 are on FairPoint property fixing the  
12 problems and focused on that, instead of  
13 meeting with other consultants.

14 Q. Okay.

15 CMSR. VAFIADES: Thank you,  
16 Mr. Chairman.

17 CHAIRMAN GETZ: Okay. We're  
18 going to take about a 15-minute recess at this  
19 point.

20 Before we break, let me just  
21 point out at least one thing. If there are any  
22 members of the public or parties or media that  
23 want to ask some questions during the break or  
24 afterwards, the director of the New Hampshire

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Telecommunications Division is here in the back;  
2 that's Kate Bailey. The Director of the New  
3 Hampshire Consumer Affairs Division, Amanda  
4 Noonan, is here. There's also, especially for  
5 immediate inquiries, Ann Ross, our general  
6 counsel, is in the back of the room as well.

7 I don't know if my colleagues  
8 want to throw in their Staff persons at this  
9 time.

10 CHAIRMAN VOLZ: The Vermont  
11 Department of Public Service is here. Earlier I  
12 saw their attorney, Jim Porter. And I believe  
13 the Commissioner of the Department was here. I'm  
14 not sure if he's still here. That's David  
15 O'Brien. And the Director of Economics is here,  
16 Ron Behrns. And you could talk -- if people have  
17 questions for Vermont, you can talk to them.

18 CHAIRMAN REISHUS: And for  
19 Maine, we unfortunately do not have Staff with  
20 us. But I do see Bill Black in the audience from  
21 the Maine OPA. So I imagine he's available.

22 CHAIRMAN GETZ: In that  
23 regard, I'd also note that the New Hampshire  
24 Consumer Advocate, Meredith Hatfield, is here as

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 well.

2 So we'll take a 15-minute  
3 recess. Thank you.

4 (WHEREUPON, a brief recess was  
5 taken at 3:01 p.m. and resumed at 3:18 p.m.)

6 CHAIRMAN GETZ: Okay. Ladies  
7 and gentlemen, if we could resume, please.

8 Okay. We're back on the  
9 record in the status conference, and we are in  
10 the midst of asking some operational questions.  
11 So we'll turn at this point to Commissioner Below  
12 from New Hampshire.

13 CMSR. BELOW: Thank you.

14 **EXAMINATION**

15 **BY CMSR. BELOW:**

16 Q. As of FairPoint's September 4th daily  
17 report, 38 percent of FairPoint's total  
18 pending orders were late, and 40 percent --  
19 46 percent of late orders were late for more  
20 than 20 days. For most types of orders this  
21 status has not improved since June, and in  
22 some cases it's gotten worse. I would note,  
23 in particular, I think for the local service  
24 request and access service request, the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 percent late and the percent late more than  
2 20 days is actually worse at the end of  
3 August than it was at the beginning of July.

4 What is your action plan for turning  
5 this around and clearing out the backlog of  
6 late service orders?

7 A. (By Mr. Hauser) Jeff, are you going to  
8 handle that?

9 A. (By Mr. Allen) Yeah. A couple points I  
10 would want to make on, first, on that  
11 report. What that's measuring is all late  
12 tasks, not necessarily late orders. The  
13 numbers that I -- we had used in the --  
14 David's remarks, as far as the total number  
15 of orders late, as well as the numbers that  
16 are late for accompanying reasons are a more  
17 accurate assessment of how many customers  
18 are waiting for service. And that number is  
19 different. But the actions that we have in  
20 place don't change, because at this point we  
21 are experiencing -- or we're delivering  
22 about 78 percent of our orders on time, and  
23 we believe we need to be in the 90s to be  
24 providing the level of service that we'd

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 like to consistently deliver.

2 The changes that I mentioned before in  
3 the organizational, one of the things that  
4 we've done to focus on the provisioning  
5 piece of that, the work that we've done with  
6 Liberty to identify some of the root causes  
7 behind why orders were falling out and what  
8 could be done to move those through, one of  
9 the major changes associated with delivering  
10 orders is forming a service delivery  
11 organization as opposed to managing each  
12 individual cue separately, but then, within  
13 those particular -- in the service delivery  
14 group, managing the cues so that nothing  
15 sits longer than it should sit. So my  
16 expectation is, with the activities that we  
17 described earlier, as well as those that I  
18 just reviewed, we should be in a position,  
19 even as we're correcting the system issues  
20 that are causing the items to fall into a  
21 manual cue for work, we should be able to  
22 bring that up from 78 percent into the  
23 90-percent range.

24 Q. Your issue with regard to different metrics

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 raises another point that was brought up in  
2 the Liberty's stabilization status report  
3 on -- that was filed yesterday with our  
4 Commission and the other Commissions, in  
5 which they observed that Liberty has found a  
6 number of discrepancies in the data  
7 FairPoint has provided to the regulatory  
8 Staffs, and the CLECs have noted  
9 discrepancies in the data reported in  
10 FairPoint's wholesale carrier-to-carrier  
11 reports. And in general, I think there's an  
12 issue about confidence, because through the  
13 technical sessions, through the different  
14 processes there are a variety of metrics,  
15 and some concern about whether they're  
16 accurately representing the situation or  
17 being accurately reported. And I guess  
18 that's sort of a threshold question, in  
19 terms of regulatory confidence, public  
20 confidence in your operations.

21 What's your expectations about getting  
22 these reported data accurate and in a way  
23 that isn't subject to quibbling about what  
24 it means?

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Mr. Allen) Yeah, I agree. And I think  
2 that's what we were describing before,  
3 having consistent measurements between what  
4 we utilize internally and what gets shared  
5 in any forum or any environment.

6 The information that was in the daily  
7 report, for example, was very useful at its  
8 in time when it was created in the April  
9 time frame. At the time, it was the first  
10 attempts that we had in measuring some of  
11 those items, because those were things that  
12 were not measured previously in the company,  
13 as far as measuring work cues, measuring  
14 flow-through. As we worked with that, we  
15 identified that there were -- that the  
16 information could, in fact, be accurate,  
17 but, to your point, Commissioner Below,  
18 might not be relevant or paint an accurate  
19 picture, I believe is what you described.  
20 And that was, in fact, true. Flow-through  
21 is the best example of that. The way that  
22 we're measuring flow-through internally  
23 stays with orders throughout their complete  
24 cycle until they're completed. It gives us

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 a far more accurate view of what the actual  
2 flow-through is by product type. It's  
3 also -- we have discussed that with Liberty.  
4 They're in agreement that that's a much  
5 better way of doing flow-through. The two  
6 ways that we actually did measure  
7 flow-through in the daily report, it's an  
8 accurate result, but it is not as relevant  
9 as the way we internally measure  
10 flow-through.

11 So I think the -- as Mr. Nixon said,  
12 within 10 days if we can get it out to the  
13 constituents, we can get one report out  
14 that's what we use internally and  
15 externally, I think that makes everybody  
16 much clearer on the results and less  
17 quibbling about the facts.

18 Q. That would be helpful. Thank you.

19 Another recommendation that's in  
20 Liberty's status report is to conduct a  
21 cross-system inventory validation and  
22 reconciliation to identify data  
23 discrepancies between the systems and to  
24 synchronize the data and its systems in

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 order to reduce unexpected order fallout.  
2 And, you know, apparently it's become  
3 apparent, and maybe some people saw this all  
4 along, that there was inconsistency in data,  
5 data mismatches. There's some questions  
6 about whether that perhaps arose from how it  
7 was transferred from the Verizon databases,  
8 how your own different systems were  
9 constructed with data field mismatches and  
10 such. I'm sure it's all very complex. But  
11 the real question is, how do you expect to  
12 resolve these data inconsistencies? Are you  
13 going to do an audit of the different  
14 systems? And when do you expect to  
15 understand, really understand your data  
16 mismatches?

17 A. (By Ms. Weatherwax) That will be part of the  
18 evaluation that the vendor is going to be  
19 doing as well. But we will be looking -- we  
20 do know that there is a need to sync up that  
21 inventory information in between the  
22 systems. So I have not kicked off a process  
23 for that at this point.

24 A. (By Mr. Allen) One other piece I would

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 mention with that in the short term is we  
2 now understand when there is a mismatch of  
3 data between the systems, what that looks  
4 like in an order, what it causes an order to  
5 do. So when that happens, we can fix that  
6 particular customer and, in many instances,  
7 still meet the required due date. So  
8 there's, I'll say a daily fix when that does  
9 occur. But the final, the more complete  
10 solution doing a system-to-system  
11 reconciliation is, as Vicky mentioned,  
12 something that she's involved with.

13 A. (By Ms. Weatherwax) And I want to say that  
14 we have been fixing those inconsistencies  
15 all along, and individually as we identify  
16 problems. We just haven't done a holistic  
17 look from system to system to make sure that  
18 it matches up.

19 Q. Is your sense that this derives more from  
20 how your systems were designed and how they  
21 work together, or from the legacy Verizon  
22 databases that you received at cutover or  
23 the way they existed before cutover?

24 A. (By Mr. Allen) I have seen evidence of all

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 of the above, plus other instances where  
2 there could have been human error where  
3 somebody put in new data. And so it had  
4 nothing really to do with the systems or the  
5 data that we received at cutover; something  
6 could have been put in incorrectly. There's  
7 been instances where what we received was  
8 not clear data or consistent data from the  
9 Verizon systems. And there's been instances  
10 where the -- as it went from system to  
11 system it caused an issue. So there's a  
12 variety of reasons why it existed. The  
13 value or the, I guess, the good news about  
14 that is once you fix it, you've fixed it now  
15 for that particular account. So it's not  
16 something that replicates itself for that  
17 particular account. It just has to be fixed  
18 across all the accounts to make sure you  
19 don't run into that in the future --

20 Q. Have you sought or received help from  
21 Verizon with regard to the databases you  
22 received?

23 A. (By Mr. Allen) I don't know. Peter, if  
24 you --

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Mr. Nixon) I think early on, shortly  
2 after cutover, they were -- they made  
3 themselves available to meet with us and  
4 speak with us about the data that was  
5 transferred. And, of course, the further we  
6 get away from the date of cutover, the less  
7 and the more -- I guess the less they would  
8 be able to assist us in that manner.

9 A. (By Mr. Allen) And keep in mind, in many  
10 instances this also, even when we got a  
11 mismatch from Verizon, we got what was in  
12 their system. What might have been in their  
13 system was incorrect, but what they  
14 delivered to us was what they were expecting  
15 to deliver. So if they had an address put  
16 in without the right characterization  
17 associated with it, we put in a new order  
18 with the correct address, there might be a  
19 slight mismatch, and that could cause one of  
20 the problems you described.

21 Q. Another -- I may be plowing some of the same  
22 ground that others have covered, but bear  
23 with me.

24 One of the -- another recommendation of

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Fair -- of Liberty was to establish  
2 end-to-end management oversight of the  
3 manual ordering and provisioning processes  
4 and instill a sense of urgency throughout  
5 all levels of FairPoint's staff to resolve,  
6 quickly resolve customer ordering,  
7 provisioning and billing problems. And they  
8 gave a number of examples of things that  
9 management could do in this regard. The  
10 very first recommendation is to create a new  
11 management position and a supporting  
12 organization that has overall responsibility  
13 to sure -- ensure the efficient and timely  
14 flows of orders end-to-end throughout  
15 ordering, provisioning and billing steps.  
16 And they go on and elaborate.

17 Do you have a reaction to that  
18 recommendation or that pair -- that major  
19 recommendation of the subset.

20 A. (By Mr. Allen) Yeah. I think to some  
21 degree, or certainly a significant portion  
22 of that is -- although I made the changes  
23 before I saw that report -- is reflective of  
24 changes that I mentioned before, where there

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 is now a senior executive whose primary  
2 focus is on the provisioning and delivering  
3 of our service -- engineering, provisioning  
4 and delivering. And then, as a step below  
5 that, we have a service delivery team. And  
6 one of the things that had not been in place  
7 several months ago was that kind of concept  
8 of end-to-end, from when an order comes in  
9 to the final dispatch of that service,  
10 having a team that's associated with  
11 delivering that service. And I think that  
12 ties more to the end-to-end. It does not  
13 include the billing piece. And I think the  
14 billing piece, except in a wholesale  
15 environment, is different enough that, if I  
16 tried to put that together, I think it would  
17 have some negative consequences associated  
18 with it.

19 Q. Do you feel that you have sufficient  
20 staffing levels to handle the manual orders  
21 that are falling out of the system and have  
22 to be manually worked through the cues?

23 A. (By Mr. Allen) I think in most instances the  
24 answer to that is yes. There were some

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 instances where we identified there was a  
2 deficiency, and those are some of the  
3 approvals that David has made, as far as  
4 adding additional staff.

5 CMSR. BURKE: Could I just see  
6 if I could clarify that? Is that going to be an  
7 ongoing solution? Do you see that as a good  
8 ongoing solution, or is there a better way to  
9 address those that are falling out, the manuals  
10 that are being involved?

11 A. (By Mr. Allen) Yeah, the better way to fix  
12 it, which is a big part of also what's going  
13 on in addition to the longer-term view that  
14 Vicky's described, there's also some  
15 short-term activities that are going on that  
16 are designed to help flow-through. If you  
17 look at our flow-through today, especially  
18 in some of the wholesale products, and  
19 compare it to where it was a few months ago,  
20 there's been significant improvement. There  
21 is significant improvement left to go in  
22 certain product types.

23 So one of the key areas that we look at  
24 with that is a thorough assessment of the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 provisioning plan. Provisioning plan is  
2 when an order comes in for a certain type,  
3 what steps it's supposed to go to, whether  
4 it's through a system or through a manual  
5 intervention. Some things we've identified  
6 that fall out from manual intervention don't  
7 need to. So as we tighten up the  
8 provisioning plan, we can improve  
9 flow-through. We can identify change  
10 requests that -- you know, Vicky  
11 mentioned -- I don't recall the exact  
12 number -- but how many change requests or  
13 enhancements and fixes went in on the 3rd,  
14 how many are planned to go in on the 17th.  
15 Many of those are designed to improve  
16 flow-through.

17 So, a long way to answering your  
18 question -- I apologize for that -- is that,  
19 no, it is not a sustainable, long-term  
20 solution. It's not efficient to do the  
21 level of manual work that we currently do  
22 with many of the new orders. However, it is  
23 the best way we can deliver a high-quality  
24 service until we get the flow-through up to

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 a higher level.

2 Q. Thank you.

3 **BY CMSR. BELOW (CONT'D):**

4 Q. Another recommendation of the Liberty report  
5 of September 8th is to improve the process  
6 for determining the root causes of current  
7 problems in order to identify and implement  
8 immediate, as well as long-term systems and  
9 process improvements. And I realize that's  
10 part of Ms. Weatherwax's objectives here.  
11 But as they described, the joint  
12 investigation with FairPoint that was  
13 recently done did identify some root causes  
14 that hadn't been previously identified. And  
15 I guess my question is what -- you know,  
16 what -- how do you plan to make this the  
17 sort of norm, rather than something that's  
18 kind of we're getting at to a little bit  
19 late in the process? How can you make this  
20 improvement process for understanding the  
21 root causes more permanent? And is it -- is  
22 the value -- has Liberty brought value in  
23 that regard? They're, you know, working for  
24 the Commissions, but obviously, essentially

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 at your expense. Is it valuable to have  
2 them continue to work with you on this kind  
3 of root-cause analysis?

4 A. (By Ms. Weatherwax) Do you want me to answer  
5 that?

6 A. (By Mr. Allen) Let me answer the first part  
7 and you can take the second part.

8 A. (By Ms. Weatherwax) Okay.

9 A. (By Mr. Allen) I think the answer -- let  
10 me answer it this way: Liberty had -- was  
11 very helpful the two days that they were up.  
12 We've talked about the orders they did with  
13 order processing. They did a similar  
14 assessment up in Littleton on the billing  
15 aspects as well. So, they clearly, by  
16 working with our experts in those particular  
17 fields, I think accelerated our ability to  
18 fix some of the items. They brought some  
19 things to bear that we saw would have a  
20 bigger impact by doing some really better  
21 management of some of the -- in some of the  
22 areas than we would have initially thought.  
23 It would have taken us longer to get there.  
24 So I do think it's been very beneficial.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           As far as the root cause, I'll mention  
2           one piece and then Vicky can talk a little  
3           bit about some of the things that she's  
4           doing.

5           One of the things that had happened in  
6           the past that is now different is, again,  
7           especially going back several months, if  
8           there was an order that was not working  
9           right, not -- stuck, whatever you want to  
10          call it, the focus was on getting that order  
11          corrected. And whether that involved  
12          shipping it over to IT or shipping it  
13          somewhere to get it fixed, it was then  
14          fixed. And that was the end goal. And I  
15          think now that the numbers are down where  
16          they need -- not where they need to be.  
17          They're down to a level that we can look at  
18          the things that we did with Liberty, our  
19          focus now is not just to get the order  
20          done -- clearly, that's one of the  
21          objectives -- but to identify what caused it  
22          and to fix it. And that is a little bit  
23          different. So --

24        A.    (By Ms. Weatherwax) That's pretty much what

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 I was going to say. During the intermediate  
2 evaluations, we're identifying problems.  
3 We're not just trying to fix those problems,  
4 you know, for the one issue or the one  
5 order. We're trying -- we will be doing  
6 root-cause analysis to identify if it's  
7 systemic, if it's a one-off or if it's  
8 something that we need to fix with processes  
9 or systems. So that will be, you know,  
10 hopefully something that we will implement  
11 in the PMO on an ongoing basis for the  
12 internal business solutions. We want to  
13 make sure that we're not just fixing things  
14 as they come up, as we've done for the  
15 systems and the different business.

16 Q. All right. You mentioned Littleton. During  
17 the hearings on whether the transfer would  
18 be in the public interest, FairPoint  
19 committed that it would staff a call center  
20 with 40 people in Littleton, New Hampshire.  
21 Has the call center been established?

22 A. (By Mr. Nixon) Let me take that, if I could.  
23 We have established a center in Littleton.  
24 It's not currently at the numbers that we

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 had committed to at the time of the  
2 discussions. We continue, as we look to  
3 either increase levels of staff in our  
4 current organizations, or looking at ways  
5 that we can bring business and staff into  
6 northern New England, we look at ways that  
7 we can place them and work them in  
8 Littleton. So, it's still our desire to  
9 increase those levels. We're not there  
10 today. But we remain committed to the best  
11 of our ability to get those to our  
12 commitment level.

13 Q. Do you have a expectation as to when you'll  
14 be able to honor that commitment to add 40  
15 jobs in Littleton?

16 A. (By Mr. Nixon) I do -- again, we have  
17 employees there today. We're not at that  
18 level. I do not have a date by when that we  
19 can at that -- reach that level. What we  
20 have said in the direction we've given  
21 internally to our organizations is that, as  
22 they looked at employees or look to bring  
23 work that's currently being done by a  
24 outsourced vendor, as we look for

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 opportunities to bring them into northern  
2 New England, that we would then look to  
3 primarily staff them in Littleton, to the  
4 extent possible.

5 A. (By Mr. Hauser) Perhaps should add one  
6 thing: If you look at the state of New  
7 Hampshire, we've added more jobs than we  
8 said we would. But they're not in Littleton  
9 at this point.

10 Q. Oh, you're saying the total jobs --

11 A. (By Mr. Hauser ) The total hires in the  
12 state of New Hampshire are more than what  
13 the commitment was.

14 Q. Okay.

15 A. (By Mr. Hauser) But they're not in  
16 Littleton.

17 A. (By Mr. Nixon) That's a true statement, yes.

18 CMSR. IGNATIUS: Excuse me,  
19 Commissioner Below, just --

20 Could you -- do you have the  
21 numbers on what those -- on what the hiring is,  
22 both in Littleton -- you said it's not what you  
23 hoped -- but how many you have hired and then how  
24 many in the state overall?

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Mr. Nixon) Sure. In New Hampshire,  
2 which I think was the question, we have  
3 hired 301. The commitment for New Hampshire  
4 was 240. And Littleton, I believe the  
5 commitment was 40, and we've hired 10.

6 CMSR. IGNATIUS: Thank you.

7 **BY CMSR. BELOW (CONT'D):**

8 Q. In terms of the escalations, do you have an  
9 expectation as to when you might be able to  
10 return to pre-cutover levels of escalations?  
11

12 A. (By Mr. Allen) Well, I don't have a specific  
13 date that I could tell you we'll get down to  
14 what -- I believe pre-cutover levels across  
15 the three states would have been about a  
16 hundred. And we've -- as mentioned earlier,  
17 I think we're now down to 296 from a number  
18 that was several hundred more than that a  
19 short time ago. The speed of which we get  
20 these dropped down are a function of two  
21 things: One is working the escalations,  
22 obviously; secondly, and more importantly,  
23 is not to have new escalations come in.

24 I think one of the things that's

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 driving more escalations, if I look at  
2 several of them -- and this is not a  
3 complete assessment of the calls that come  
4 in. But several of the escalations, I  
5 believe, are escalations that might not  
6 normally come in if the perception in the  
7 marketplace was a little bit different about  
8 FairPoint. So, to give you a specific date  
9 when we're going to get down to about a  
10 hundred, I don't know that I can tell you  
11 that. I expect them to continue to drop  
12 from the current level.

13 CMSR. VAFIADES: Are you  
14 saying that you're getting customer complaints  
15 just because you have a brand name?

16 A. (By Mr. Allen) Because we have -- there's  
17 been many -- not -- well -- I've been  
18 involved in a number of complaints that,  
19 when assessed, there wasn't anything that  
20 FairPoint did incorrectly or wrong. But the  
21 customer assumed that because of perhaps  
22 what they've read or what they perceive are  
23 some of the problems that have taken place,  
24 they complain. The lower the --

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 CMSR. VAFIADES: So what are  
2 the -- give me some examples of what customers  
3 were complaining about that -- you mean they're  
4 just manufacturing that they have a problem with  
5 their DSL or --

6 A. (By Mr. Allen) The length of time or what  
7 occur -- let me give you two examples that  
8 were in the paper Sunday in Vermont.

9 There was a customer who had a problem,  
10 a business customer, and suggested that  
11 they -- that he had called in in February  
12 and that his service had been delayed in  
13 delivery. We didn't have a record of him  
14 calling in February, but he very well may  
15 have. I would not question the fact that he  
16 got late delivery back at that particular  
17 point. At that time, most customers did.  
18 But that customer who had a complaint in,  
19 which is where that was originated from, his  
20 service has been in place for over the last  
21 two and a half months. He's been fully  
22 credited back for all of the services that  
23 he should have been credited back for --  
24 matter of fact, gave him the benefit of the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           doubt, assuming he called when he said he  
2           called -- and yet, he was obviously making a  
3           complaint in the public environment. And we  
4           see that from time to time, when you look at  
5           the facts, there's really not a legitimate  
6           complaint to address.

7                           CHAIRMAN GETZ: Are you making  
8           the distinction that he did have a legitimate  
9           claim -- complaint at one point, he no longer has  
10          a legitimate complaint, and he shouldn't be  
11          mentioning that he had --

12         A.     (By Mr. Allen) No, no.

13                           CHAIRMAN GETZ: -- a  
14          legitimate complaint at some point?

15         A.     (By Mr. Allen) I'm not suggesting that at  
16                 all. What I'm suggesting is the way it was  
17                 portrayed, you would have thought this  
18                 particular customer had a current and  
19                 ongoing issue with the company, when, in  
20                 fact, that was not the case. There are a  
21                 number of complaints that we get when they  
22                 first come in, and when we do the research  
23                 and assessment there's not a problem; or if  
24                 there was a problem, it is not something

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 that is addressable, but yet it's a  
2 complaint.

3 There was one that was delivered to one  
4 of the states today, that a customer was  
5 complaining that they were not able to get  
6 DSL service where they lived, and they  
7 thought they should be able to; and the  
8 reason was, based on where they currently  
9 are and where our current network allows us  
10 to deliver service, we could not provide  
11 them DSL service. But they turned their  
12 complaint in to the Commission.

13 CMSR. VAFIADES: Well, they  
14 are asking -- I know about that complaint. And  
15 that individual was asking if there was any way  
16 we could urge you to expand your service. They  
17 weren't saying that you could provide the service  
18 and you couldn't. I mean, people want FairPoint  
19 to be there for them. And you have an aggressive  
20 broadband build-out plan. And that's a part of,  
21 from my perspective, a part of your business plan  
22 that you're meeting and you're being responsible  
23 about. And I think when someone calls, they're  
24 frustrated. They're not, like, complaining about

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 you. They're asking -- and I think it's  
2 appropriate for them to ask the Commission to  
3 continue to do its job to work with businesses in  
4 this -- in Maine, to make sure that we optimize  
5 services to the public. I didn't -- I think it  
6 was that individual was looking for an  
7 opportunity. They were following the paper and  
8 saying, hey, we're going to see you folks today,  
9 and can -- I won't say the geographic area -- but  
10 can you put in a plug for me. I don't think that  
11 that was -- they were saying -- they want to be  
12 your customer. They are not complaining. They  
13 want to be part of your family. And I think you  
14 should -- Mr. Allen, I think you should welcome  
15 those calls.

16 A. (By Mr. Allen) I welcome those calls, and we  
17 welcome those calls. We have a way to keep  
18 track of all those customers. We look at it  
19 as a way to determine where we can expand  
20 more quickly. We look at it as a potential  
21 if -- as you know, this one was in Maine.  
22 If there's an opportunity to use other  
23 sources, such as stimulus funding or Connect  
24 Maine or some other function --

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 CMSR. VAFIADES: And you just  
2 did a nice job of changing your answer. I  
3 respect that. But that's not the answer you gave  
4 before I made my comment. And I'll just leave it  
5 at that. Thank you.

6 CMSR. BURKE: And in addition,  
7 to follow up on what Mr. Getz said before,  
8 Chairman Getz, was -- the point he was trying to  
9 make there is that it's not unfair or  
10 unreasonable for somebody who didn't get service  
11 for four and a half months to complain two and a  
12 half months after he finally did get it that it's  
13 arrived. I mean, that's the kind of complaint --  
14 maybe he was concerned that if he said much, he  
15 wouldn't get his service. Those are the kind of  
16 things you ought to take seriously, really.

17 A. (By Mr. Hauser) I think the point Jeff was  
18 making on that is, should it be portrayed as  
19 a current problem when the problem was two  
20 and a half months ago. I think that was the  
21 sole issue.

22 CMSR. BURKE: Or should it  
23 just be portrayed as a problem that took four and  
24 a half months to fix.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Mr. Hauser) If that was productive,  
2 that's a way to look at it. But if it's an  
3 old complaint, it's an old complaint.

4 **BY CMSR. BELOW (CONT'D):**

5 Q. Are the escalations senator -- center  
6 representatives given adequate authority to  
7 take -- to direct the steps or take the  
8 actions needed to resolve the escalations  
9 that come to them?

10 A. (By Mr. Allen) Yes, they are at this point.  
11 One of the things that we changed a number  
12 of weeks ago was the escalation group  
13 primarily was not made up of customer  
14 service reps. And to do all of the work  
15 ultimately in an account, you really need to  
16 train a customer service rep to do that.  
17 So, although the folks that were working the  
18 escalations were very diligent, they were  
19 good at calling back the customer, they were  
20 good at doing a variety of different things,  
21 they weren't the people that could take the  
22 direct action to fix the customer problem,  
23 whether it was a billing issue, a credit, or  
24 whatever it was. So that center is now made

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 up of customer service reps that can take  
2 the action necessary to fix a complaint.

3 Q. So more of the escalations are being handled  
4 by one person.

5 A. (By Mr. Allen) One group.

6 Q. One group.

7 A. (By Mr. Allen) Yes.

8 Q. What message will you give former FairPoint  
9 customers as you attempt to win them back?

10 A. (By Mr. Hauser) Well, I think this is a  
11 marketing message that we will develop. But  
12 the key point is this: We have to get it to  
13 the point where everybody in this room  
14 believes that we have excellent customer  
15 service. We're telling you a lot of  
16 statistics that are much, much better. And  
17 things have improved dramatically. We've  
18 also said we've got a ways to go, and we've  
19 got a lot of plans to get there. I  
20 intentionally have not spent a lot of time  
21 on our reputation, on our marketing, because  
22 I wanted to make sure that we were  
23 delivering the product like we should be  
24 before we spend a lot of time on that. So I

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 think the product will speak for itself once  
2 we deliver it on time and as it should be  
3 delivered.

4 A. (By Mr. Allen) The one thing I would add to  
5 that is I would tell somebody the reason  
6 they should do business with us is we have  
7 better people. We've got people that really  
8 care. They're trained. They know their  
9 business extremely well. And as we are now  
10 starting to provide them the tools that they  
11 need to do their job, they can do it better  
12 than anybody else in the market.

13 Q. What's your overall sense of the employee  
14 morale? Obviously, there was sort of a very  
15 difficult time through the spring. We had  
16 all hoped that business as usual would be  
17 achieved. I think we have to recognize that  
18 in some major areas you've plateaued at a  
19 level that is not -- you know, is quite a  
20 ways off from where the public wants you to  
21 be, where we want you to be, where you want  
22 to be. How is this -- how's the overall  
23 employee morale and attitude.

24 A. (By Mr. Hauser) Let me make a couple

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 comments on that, and then anybody else can  
2 chime in.

3 I've met with a lot of employees in  
4 group sessions. I've had brown bag lunches  
5 where everybody just comes in and brings a  
6 brown bag and we talk about whatever they  
7 want to talk about. They are -- many of the  
8 employees are very excited about this  
9 business, and they see the potential of this  
10 business. They're excited about what we've  
11 done with Vicky, because employees can sit  
12 there and say, well, what you're doing here  
13 is not a good idea and what you're doing  
14 here is not a good idea. Well, we want to  
15 get all of those thoughts together. And  
16 they want to be heard. And I think they're  
17 excited about -- I've been out, Jeff's been  
18 out. A lot of people have been out  
19 listening to them. We're taking their  
20 ideas. We've got a suggestion system, and  
21 we have been flooded with suggestions. I  
22 don't know the number, but it's a lot. And  
23 we've implemented numerous of those  
24 suggestions. So I think employee morale is

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

1 pretty good.

2 CMSR. IGNATIUS: Thank you. I  
3 have a few other questions for New Hampshire on  
4 operational questions.

5 **EXAMINATION**

6 **BY CMSR. IGNATIUS:**

7 Q. Ms. Weatherwax, the customer delivery  
8 implementation plan we were talking about  
9 before is broken out into short-term,  
10 interim-term and long-term initiatives. And  
11 we noticed that an effort to clear the  
12 backlog doesn't seem to appear in any of  
13 those short, middle or long terms. Is that  
14 because it's to be resolved before you even  
15 get to short? I mean, or it will happen so  
16 much sooner than that, that it doesn't need  
17 to be on the list?

18 A. (By Ms. Weatherwax) No. I know that Jeff's  
19 got some initiatives that are working toward  
20 that, toward getting the backlog, already in  
21 place.

22 Q. So, how would you characterize it then? How  
23 soon will -- can we say backlogs are done  
24 and we're dealing with new, going forward,

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 and nothing else?

2 A. (By Mr. Allen) The orders complete every  
3 day. So there's not a -- the 2200 orders  
4 that we talked about before, those are not  
5 orders that have been sitting there and  
6 that's the backlog and then all new  
7 transactions are going through currently.  
8 So what occurs is out of that 2200, there  
9 may be 500 that get completed today and --  
10 however, there may be 500 or 450, or  
11 whatever the number is, new ones that  
12 termolate [sic] that day.

13 So all the initiatives we talked about  
14 as far as improving provisioning and service  
15 delivery are all the programs designed to  
16 get that backlog down to a number that,  
17 again, I think should be, instead of  
18 22 percent of our orders inflight being  
19 late, needs to be, even in the short term,  
20 less than 10 percent.

21 Q. Well, that's a good goal. I guess I'm still  
22 wondering, though, if you've got one order  
23 that's sitting and not turning over, you  
24 know, daily, and new ones coming in that

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1           went to the total numbers, but you've got  
2           one that's very old, shouldn't you have some  
3           way to track that? Shouldn't you be able to  
4           see at a glance in the same way an aged  
5           account would show, you know, that it's 20  
6           days out or 40 days out or 60 days out, and  
7           target those that are the oldest?

8       A.    (By Mr. Allen) Yes, and we do that. The  
9           report that we get shows not only -- it  
10          shows a couple of things. It shows the  
11          reason why it's late, what we call the  
12          "jeopardy code" that's associated with that.  
13          And it also has -- at least what I get shows  
14          by the month that the order was initiated.  
15          So you can see what was initiated in June  
16          that's still on there versus what was put in  
17          in August.

18       Q.   And who is the manager within the company  
19          that's responsible for really focusing in on  
20          getting those late orders resolved? Or is  
21          it spread among different -- a wholesale  
22          manager, separate from a retail manager?  
23          Who do we turn to if we have a concern?

24       A.    (By Mr. Allen) The manager that's

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 responsible for service delivery is Bob  
2 Callahan. Now, we also have some specific  
3 initiatives, almost a SWAT team, to look at  
4 certain orders and move those forward. And  
5 I would say the primary person that's been  
6 associated with that is Bryan Lamphere.

7 Q. Thank you.

8 On new orders, it was interesting that  
9 a new order would be taken and delivered  
10 within a week, based on the radio  
11 advertising today. It's more hopeful than  
12 what we are hearing in New Hampshire, that  
13 people are waiting weeks or even months for  
14 new orders. I guess it leads me to really  
15 ask for your help in thinking about how we  
16 get our data to line up.

17 If we're measuring things in a slightly  
18 different way than you are, it does no good  
19 to just create another whole reporting  
20 system. And I agree, Mr. Hauser, that more  
21 data doesn't always solve the problem. It's  
22 clarity of data, it's commonality of  
23 measurement terms. And I get the sense from  
24 hearing the discussion today that some of

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           what we are seeing on the -- in the ways we  
2           collect it in New Hampshire is different  
3           than what you're seeing in the ways you  
4           collect it for the company. And that's  
5           neither right nor wrong between the two of  
6           us, it's just different.

7                        So, do you have suggestions on how we  
8           as -- and then you got the problem with  
9           three different states doing it as well --  
10          how best we can make our data as consistent  
11          in what we're collecting so that we can  
12          measure consistently and really understand  
13          the numbers that we're talking about and be  
14          able to point to good successes and know  
15          where to put the efforts on to focus in on  
16          those that still may not be quite there?

17    A.    (By Mr. Allen) Yeah, I think what you will  
18          find with this report that Mr. Nixon was  
19          talking about is it will be identical to  
20          what we do internally. There is no reason  
21          in the world that what we report to any  
22          group should be different than what we use  
23          internally. I think the question is how  
24          much of the data is relevant to view in the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 company and understanding what progress is  
2 being made versus some of the additional  
3 data that we may need from an operational  
4 standpoint to improve the results. So, if  
5 we're going to show you a data point, and  
6 that's what you need to see and that's what  
7 it comes out at, that same data point is  
8 what we're going to use internally. Because  
9 you're absolutely right; by utilizing  
10 different database sources and pulling the  
11 data in different ways, you get into the  
12 discussions of, well, what's the number.  
13 Both numbers are accurate, but they're  
14 measuring different things. And if we're  
15 going to measure late orders, let's measure  
16 late orders. Let's not debate if it's a  
17 task or an order or whatever it might be.  
18 So the information will be identical. I  
19 think the only question that we're working  
20 on is what should the format be and how much  
21 of the data that we do daily do you really  
22 want to see.

23 Q. And I know, Mr. Nixon, you spoke to it  
24 before, but I'm not sure I understood the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 plan. How best can the states have input  
2 into refining that collection of data and  
3 sharing it? At what point do we see it, and  
4 at what point do you want us to give you  
5 suggestions?

6 A. (By Mr. Nixon) Sure. So the structure of  
7 the approach I was taking is that we'd  
8 create a template. I asked Liberty if  
9 they'd help me do that. They've had the  
10 benefit of working with the three states,  
11 working with the CLEC communities, working  
12 with the other stakeholders. And we would  
13 then put a template together that would be  
14 structured primarily on what we see and what  
15 we use internally. Liberty suggested a  
16 couple refinements to it, actually,  
17 expansions, that, as we take a look at the  
18 information -- the one in particular would  
19 be that they thought -- and I agree with  
20 them -- it would be useful to look at more  
21 of the CLEC product types as we look down  
22 through the dashboard, as opposed to a  
23 rolled up -- you know, a full view of all  
24 their product types. They suggest -- and I

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 agree with this, the more we can tell in  
2 this case would be helpful. That is a  
3 process that we're finalizing.

4 They've worked with us, as Mr. Allen  
5 indicated, on the construct of flow-through  
6 that we believe would be most useful. I  
7 believe the way Mr. Allen described it was  
8 you take a look at the orders that come in  
9 on a certain day, and you track those  
10 through the full life cycle until all those  
11 orders that day complete. So again, what  
12 we're looking for is how do we put that into  
13 a rolling basis that, again, you get the  
14 same information we get, the same  
15 information we're using internally. To my  
16 knowledge, that has been now worked out with  
17 Liberty and we'll then be presenting that in  
18 a template, as I indicated, within 10 days.  
19 And it'll go out to the OPA, to the CLEC  
20 community, to the OCA, to the Staffs of the  
21 three states for their input.

22 Q. Thank you.

23 A. (By Mr. Nixon) And what -- it's the balance  
24 of saying you don't want to create, you

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 know, a hundred-page document. You really  
2 want to create something that is useful,  
3 it's valid and it's dependable.

4 Q. And on -- in working through new requests  
5 for orders -- and this is, you know, really  
6 the heart of retaining and building your  
7 customer base -- we want to be sure we  
8 understand who's responsible for that. If  
9 there is a new order request from a CLEC,  
10 who is responsible for that, ultimately?  
11 Who is the manager responsible to make sure  
12 that that new ordering process for a CLEC is  
13 carried out in a timely way?

14 A. (By Mr. Allen) I'll answer it in two points.  
15 If it's an acquisition -- so, in many  
16 instances a CLEC might be competing for a  
17 particular job and they might need some  
18 sales assistance. So if there's a sales  
19 representative required for that, that would  
20 be Michelle Hymson, who works for me. And  
21 in many instances it's a order that the CLEC  
22 has already achieved and they've put an  
23 order into the system. It's electronic.  
24 And the manager responsible for that group

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 is Rich Murtha. And Rich also reports to  
2 me. So, for a CLEC, those would be the two  
3 entry points.

4 Q. All right. And on the retail side of the  
5 picture for new orders, are there identified  
6 people that are really responsible for  
7 making sure that that's happening on a  
8 timely basis?

9 A. (By Mr. Allen) Yes, there's -- the overall  
10 person responsible for customer operations  
11 for both business and residential is Steve  
12 Rush. Most residential sales primarily come  
13 in through the call centers. And Tom Clark  
14 is the director that's responsible for the  
15 consumer call center. Some orders from the  
16 business side come in from the call center.  
17 The majority, though, do come in  
18 electronically, e-mails and things such as  
19 that, or from a sales organization. If it's  
20 the sales organization, that's either Jeff  
21 McCarthy or Karen Romano, depending on what  
22 type of sale it is. And if it comes  
23 directly into the center to be processed,  
24 that's Chris Broderick. And Chris Broderick

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 and Tom Clark, the people that run the  
2 consumer and the business center, report to  
3 Steve Rush, who reports to me.

4 Q. Thank you. I think in the interest of time,  
5 I'll conclude with that and pass it back to  
6 the next state.

7 CHAIRMAN GETZ: Commissioner  
8 Burke, do you have further questions on  
9 operational issues?

10 CMSR. BURKE: Thank you,  
11 Chairman Getz.

12 **EXAMINATION**

13 **BY CMSR. BURKE:**

14 Q. My colleagues have done a really good job of  
15 firing off a lot of the questions that I  
16 would have asked, so we're going to  
17 eliminate those.

18 But, you know, timing is everything.  
19 And this has been pretty serious. But  
20 today, Mr. Hauser, I thought I'd let you  
21 know. You thought the network was operating  
22 really well. And I think, by and large,  
23 that's been the least of the problems. But  
24 this morning, I want you to know there was a

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 switching problem in Vermont that affected,  
2 in particular, central Vermont. And for the  
3 first three business hours of the day today,  
4 if anybody tried to call the Public Service  
5 Board, they got the following message: "You  
6 have dialed a non-working number. Please  
7 check this number and try it again."

8 I would tell you that we have some  
9 concerns that I would like to address.  
10 First of all, we had one that struck me in  
11 particular because it involved those that  
12 are probably the least able and the most  
13 vulnerable to see billing errors. We had a  
14 complaint by a -- that was addressed  
15 eventually by a CSR, one of your own -- and  
16 did an admirable job. And as they were  
17 addressing the problem that was the reason  
18 for the call, the CSR noticed several  
19 billing errors and, in fact, worked with the  
20 client, even though that wasn't the primary  
21 purpose, or any purpose, for that matter, of  
22 the call. Now, while that's admirable,  
23 what's -- is it only if a complaint arises  
24 with regard to billing, or is FairPoint

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 doing anything with regard, since there were  
2 a lot of billing errors, to actually  
3 internally try to identify those and try to  
4 protect those that would be least likely to  
5 bring them forward themselves, and sometimes  
6 the ones with the least resources to pay  
7 those extra charges?

8 A. (By Mr. Hauser) Well, I think we've  
9 discussed that a little bit, in that we do a  
10 statistical sample of the bills -- and  
11 that's what's done in Littleton, New  
12 Hampshire -- to check the accuracy of the  
13 billing. And that would affect the  
14 residential customers.

15 Q. And you're doing that on a regular basis  
16 now, or are you doing that piecemeal when  
17 time allows?

18 A. (By Mr. Allen) We do it on every bill cycle.  
19 And any identified -- usually it's a product  
20 code, USOC, that defines that product. Any  
21 other product that fits into that, whether  
22 it was in a previous bill cycle or a future  
23 one, a mass adjustment's made. The largest  
24 majority of the credits we deliver are mass

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 adjustments. They do not require any  
2 customer interaction.

3 Q. What's the size of the sample in any  
4 billing -- in any billing cycle?

5 A. (By Mr. Allen) I don't know that.

6 Q. The Vermont order approving the sale  
7 required that there be bill credits for any  
8 errors. Has FairPoint provided those  
9 credits, and how close are they to current  
10 with those credits?

11 A. (By Mr. Nixon) Those credits are provided on  
12 a monthly basis. And they're current.

13 Q. Okay. With the issues that involve the  
14 CLECs, one of those that appears to be  
15 systematic and is constantly brought to our  
16 attention involves the issue of the DUFs and  
17 the DUF files being piecemeal, several a  
18 day, as opposed to a single DUF file that  
19 they could work with much more easily,  
20 saving them time, money, and identify  
21 problems quicker. It appears that's a  
22 system problem. It appears that the  
23 Capgemini system that was designed and in  
24 place here just doesn't do that. Is there

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 any move forward or thought process put into  
2 modifying that system so that that problem  
3 can be eliminated? And that's probably a  
4 Vicky question, so I'll ask you.

5 A. (By Ms. Weatherwax) Yeah, and I'm going to  
6 say that I've heard of this problem, but I  
7 cannot give you an answer. I will get back  
8 with you.

9 Q. Also with regard to the CLECs, the idea of  
10 working through billing errors requires in  
11 general that if there's a billing problem,  
12 that there be notice of the problem within 2  
13 days, a resolution within 28 days, and any  
14 credits made within 45 days. And I know  
15 that hasn't really worked out the way it's  
16 supposed to. Are you making progress with  
17 regard to -- with regard to that particular  
18 provision and the timing in it?

19 A. (By Mr. Allen) I don't know.

20 A. (By Ms. Weatherwax) I don't have that.

21 A. (By Mr. Allen) This is in the reconciliation  
22 of --

23 Q. Right. That's the mass -- that's the C2C  
24 metrics requirement, best I understand it.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           Isn't that correct?

2           A.     (By Mr. Allen) I'm not -- I couldn't recall  
3           exactly what the C2C requirements are.

4           Q.     Take a look at that and get back to me, too?

5           A.     (By Mr. Allen) I will certainly do that.

6                                CMSR. BURKE: I don't have any  
7           other questions, Mr. Chairman. Thank you.

8                                CHAIRMAN GETZ: Okay. Thank  
9           you.

10                                **EXAMINATION**

11           **BY CHAIRMAN GETZ:**

12           Q.     Actually, Mr. Hauser, I had two  
13           operational-related questions before we turn  
14           to financial issues.

15                                The first arises in a couple documents  
16           that have been filed with the Commission in  
17           New Hampshire following the lengthy  
18           depositions and technical sessions at the  
19           end of July. And the New Hampshire Consumer  
20           Advocate at Page 7 of the filing it made on  
21           September 3 stated that, We recognize that  
22           FairPoint's most basic levels of functioning  
23           and service must be the company's highest  
24           priority. However, we are very troubled by

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 the discovery at the technical session that  
2 FairPoint's current efforts to stabilize its  
3 operations are without any consideration or  
4 knowledge of its own retail service-quality  
5 commitments in New Hampshire, as required by  
6 the Commission's order approving the  
7 acquisition. And it states as well that  
8 this compartmentalization of goals, business  
9 as usual versus Commission-ordered  
10 service-quality requirements, seems  
11 ill-advised and inappropriate, particularly  
12 in light of the substantial risk of  
13 penalties that accompany violations of these  
14 requirements and FairPoint's current fragile  
15 financial circumstances. And it also goes  
16 on to, you know, cite the transcript of a  
17 statement that FairPoint is not looking at  
18 how stabilization objectives relate to what  
19 the company has to meet under the  
20 Commission's order, in terms of retail  
21 service quality. And I basically want to  
22 know if you have a response to that  
23 statement or if -- and if you've seen this  
24 statement, or if there's been any change in

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 the --

2 A. (By Mr. Nixon) Let me --

3 Q. -- company's approach in that regard.

4 A. (By Mr. Nixon) Sure. Let me address the  
5 first part, and then Mr. Allen will want to  
6 comment on operationally on how we're going  
7 to be improving.

8 With regard to the -- in New Hampshire,  
9 the SQIs, my understanding is that today  
10 there are 12, and then we added 6 more  
11 metrics. And as of this past month, we were  
12 meeting 6 of those, what I call the old 12  
13 that we were meeting. We've spoken here  
14 that in the area predominantly of the time  
15 it takes to repair, as well as the  
16 installation and the order interval cycle,  
17 those are the two areas that were -- that  
18 need -- we acknowledge we need to improve  
19 the most. And I believe if you look at the  
20 SQIs, and where we're the furthest off those  
21 would be the two areas where we continue to  
22 have very good results, and most recently  
23 would be in the call center and in the  
24 network areas. And again, in New Hampshire,

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 with the original 12, we're meeting half of  
2 those today.

3 A. (By Mr. Allen) The other thing I would add,  
4 in the discussion that took place at that  
5 session, the question asked about the  
6 relative -- relatively, how the SQI and the  
7 milestones lined up. They were really  
8 measuring very different things in many  
9 instances. There were items we measured in  
10 a milestone that we had never measured  
11 before, nor were they part of the SQI. So  
12 we came up with whatever was a, what we  
13 thought was a logical milestone to come up  
14 with.

15 Now, as far as operationally on the SQI  
16 basis, we do have an individual who is  
17 responsible for driving the company's  
18 results to the SQI minimum thresholds and to  
19 eliminate the penalties that are associated  
20 with that. The reason it's primarily a  
21 person versus a group of some sort is the  
22 delivery mechanism to improve are the  
23 different groups in the field, whether  
24 they're in repair or in a call center or in

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 installation. So she has separate sessions  
2 with each of those defined groups, and they  
3 track very specifically both their progress  
4 on essentially a weekly basis, as far as how  
5 they're progressing towards meeting those  
6 objectives.

7 Q. And the other question goes to a document  
8 filed on September 3rd by the company. It  
9 was by your attorney, Mr. McHugh. And on  
10 Page 2 of that document, it responds to a  
11 petition that was filed in New Hampshire by  
12 the Consumer Advocate back on July 17 asking  
13 for a new adjudicative proceeding in New  
14 Hampshire, and the document that was filed  
15 by Mr. McHugh states that the request is  
16 overly broad, and that it most likely would  
17 afford the ratepayers, customers in New  
18 Hampshire no benefit. And also it goes on  
19 to say that the time spent by key personnel  
20 answering extensive discovery requests and  
21 attending to litigation matters is time  
22 spent away from attending to business  
23 operations and customers' needs, and that  
24 there's no need at this point for any

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

1 expanded regulatory proceedings.

2 I think it's fair to say that part of  
3 what the Consumer Advocate was suggesting in  
4 its motion was that there should be at some  
5 time a retrospective look back on  
6 establishing accountability for the  
7 problems, the operational problems most  
8 specifically that have occurred over the  
9 last seven months.

10 So what I'm trying to understand from  
11 this filing that the company made, is it its  
12 position that it's just not the time now to  
13 do a look back, or is it an established  
14 accountability? Or is it the company's  
15 position that New Hampshire or Vermont or  
16 Maine, for that instance, should never look  
17 back to establish accountability?

18 A. (By Mr. Hauser) Well, I have not seen this  
19 filing. But let me just give you my  
20 reaction. I really don't think now is the  
21 time to distract people from the mission we  
22 have of getting the systems and the  
23 processes better. And I think it would take  
24 a lot of time to go through this process.

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           Secondly, I'm not sure I see the value  
2           of going through this process. When you go  
3           through it, and everybody has their reasons  
4           that it's not them that was the problem -- I  
5           mean, that's what will happen -- I'm not  
6           sure of what the end result could possibly  
7           be that would be helpful to any of these  
8           three states. So my reaction -- and it's an  
9           initial reaction sitting here -- is I don't  
10          see the value of it. But that's obviously a  
11          decision that these Commissions would have  
12          to make.

13        Q.    Okay. Thank you.

14                               CHAIRMAN GETZ: At this point,  
15          then, if there's no -- if there's nothing else on  
16          the operational issues, then we'll turn to some  
17          of the financial issues. And we'll begin with  
18          Commissioner Ignatius.

19                               CMSR. IGNATIUS: Thank you.

20                               **EXAMINATION**

21        **BY CMSR. IGNATIUS:**

22        Q.    I wanted to just preface this with saying  
23              that I went through the most recent  
24              Securities and Exchange Commission filing as

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 the a this to sort of organize different  
2 financial components that are obviously of  
3 importance to the company to have been  
4 reported on. None of this is confidential  
5 information. It was a public filing. If  
6 there's ways we can address the issues  
7 raised without having to resort to any sort  
8 of confidential information, that would be  
9 appropriate, as long as we're going as far  
10 as we can without getting there so that  
11 people have a meaningful discussion about  
12 it. It seems as though the starting point,  
13 working off of the August filing with the  
14 SEC, is a very good way to get fairly  
15 specific on major components of the  
16 financial picture that the company is  
17 working with. And I obviously am not going  
18 to cover everything that's there, but  
19 pulling out a few of the primary ones that  
20 are of concern that really relate to what we  
21 see on the regulated side.

22 We know that service overcharges have  
23 been a problem for customers, and we still  
24 hear those complaints. They're still

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 ongoing. And so I'd like to ask you some --  
2 a little more detail on that, on the  
3 magnitude of that problem and what you  
4 anticipate to be in your next reporting  
5 cycle. This would be charges for services  
6 that people are no longer receiving or had  
7 never requested, may have terminated service  
8 and are still receiving bills. Do you have  
9 a quantification for what the level of bill  
10 adjustments you've had to do for those  
11 reasons has been, whether you do it on a  
12 daily basis or monthly basis, something  
13 fairly short-term that you can help us with?

14 A. (By Mr. Hauser) You know, I don't have a  
15 quantification, off the top of my head. But  
16 I would say that as we're going through the  
17 bill reconciliations, there's really issues  
18 going both ways. There are people being  
19 under-billed and people being overbilled.  
20 And, of course, the bigger problem from the  
21 financial view of the company is that  
22 accounts receivable -- and you can see this  
23 in the second quarterly report -- went up;  
24 and so what that means is cash is not

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 flowing in to the company as it should. So  
2 I don't have the specific numbers around  
3 either underages or overages, and that's all  
4 part of this bill reconciliation process.

5 Q. Do you anticipate that the numbers for  
6 August and September will be -- the number  
7 of people overcharged will have dropped and  
8 that the need for reconciliations will be  
9 down, or the same or higher?

10 A. (By Mr. Hauser) No. No, I think it will  
11 have dropped, because I think a lot of the  
12 initial issues would have been prior to  
13 June 30th, and we estimated them in the  
14 total accounts receivable numbers at  
15 June 30th. So I will be very surprised if  
16 that's a consequential issue for the third  
17 quarter.

18 Q. All right. And if it turns out that it is,  
19 how best should the states approach that, to  
20 bring the severity of that issue to your  
21 attention? Because that's where the rubber  
22 hits the road from a customer perspective.

23 A. (By Mr. Hauser) And this is -- and let me  
24 make sure I understand. This is a customer

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 who's been billed and doesn't owe anything.

2 That's the issue?

3 Q. Well, I guess both. I mean, you're right.

4 If people are under-billed and they need to

5 be -- that's also a critical part of both

6 the relationship between the company and the

7 customer and the stability of the company.

8 You are certainly entitled to payment for

9 the services you're providing. And no one

10 would argue with that at this end of the

11 room, at least.

12 A. (By Mr. Hauser) Well, most of the business

13 side will be finished by September 30th.

14 There's a piece that won't be finished, but

15 most of it will be finished. So we'll know

16 the answers on the business side. I'm

17 simply not aware of this being a

18 consequential residential issue.

19 Q. Well, let's hope that -- we'll watch the

20 numbers and hope that that's the case. That

21 would be good news.

22 On the question of service penalties --

23 and that really is when assessments are made

24 for not meeting certain levels of service --

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 in your SEC filing you had stated that you  
2 anticipated there could be additional  
3 penalties assessed as a result of problems  
4 from the cutover -- and here I'm quoting  
5 from your report on Page 36 -- "which could  
6 have a material adverse effect on the  
7 company's financial position." What level  
8 of penalties brings you to a material  
9 adverse effect?

10 A. (By Mr. Hauser) Well, the -- if you look at  
11 the -- I don't have any specific number.  
12 But the penalties, as I understand them,  
13 could be several million dollars. And that  
14 would be a material adverse effect to this  
15 company.

16 Q. And what would be examples of -- well, no.  
17 Take that away.

18 Your expectation on whether such  
19 penalties may be imposed, do you have a  
20 sense right now, looking out over the next  
21 three to six months, whether that is likely?

22 A. (By Mr. Hauser) We will make an assessment  
23 at the end of the third quarter of the  
24 likelihood. And to the degree that

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 assessment says it's very, very likely, we  
2 will have to accrue it at the end of the  
3 third quarter.

4 Q. Similarly on the accounts receivable that  
5 you had been seeing rise in your report on  
6 the second quarter, do you have an  
7 expectation for where those figures should  
8 be at the end of the third quarter, whether  
9 they will have trended up, down or the same?

10 A. (By Mr. Hauser) I don't think I can get into  
11 those specifics for the third quarter at  
12 this point, because we haven't disclosed  
13 that.

14 Q. So, again, we'll need to look for those  
15 numbers and really talk -- the Staffs talk  
16 together on how best to -- how best to churn  
17 through those numbers and understand them  
18 and understand the company response to every  
19 one of these different categories we're  
20 talking about.

21 A. (By Mr. Hauser) But I guess it's fairly  
22 obvious that we're concerned about the  
23 receivables, because we're having these  
24 projects to reconcile the bills because we

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 believe people owe us money. So, I mean,  
2 that just logically follows, I think.

3 Q. Sure. Your SEC filing also talked about the  
4 company having to incur incremental costs,  
5 incremental expenses because of the  
6 cutover -- and this is at Page 40 of your  
7 filing -- that you would incur \$28 million  
8 in incremental expenses because of the  
9 cutover, but that you expected to incur what  
10 you called "a modest amount of costs" during  
11 the third quarter. Does that still sound  
12 accurate to you? Do you anticipate -- have  
13 you yet quantified what the incremental  
14 level of costs are during the third quarter?

15 A. (By Mr. Hauser) Well, we haven't put a  
16 number out there. But we clearly are  
17 spending less incremental money today than  
18 we were. Now, one of the things we'll have  
19 to assess is, as Vicky's project really  
20 kicks off, what all that cost is and define  
21 it as associated with the cutover, or is it  
22 just now how you're running the business.

23 Q. And all of that's critical, obviously, to  
24 the revenue of the company and your level of

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 expenditures that you've having to come to  
2 terms with.

3 I guess the news in late July that the  
4 company was possibly going to be removed  
5 from the New York Stock Exchange listings  
6 because of the capitalization of the  
7 company -- is that an accurate description  
8 of what their concern was?

9 A. Yes.

10 Q. It's not operational. This was just a money  
11 issue.

12 A. (By Mr. Hauser) There's a strict New York  
13 Stock Exchange rule: If your market cap is  
14 below \$75 million, you have to put forth a  
15 business plan that shows it's going to get  
16 better.

17 Q. And at the time that that was reported, the  
18 company was given a period of 45 days to  
19 respond with a plan. Have you yet submitted  
20 anything in response to that?

21 A. (By Mr. Hauser) We have responded.

22 Q. All right. And so what is the proposal of  
23 the company to -- is it -- I assume, I  
24 guess, in brief, is it to get back and to be

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 listed on the New York Stock Exchange?

2 A. (By Mr. Hauser) Yeah. It's really the  
3 business plan we've been working on. And it  
4 shows that the company's earnings are  
5 getting better.

6 Q. Do you know when you'll hear a decision on  
7 your proposal?

8 A. (By Mr. Hauser) They will reply to us in  
9 October. And keep in mind a couple things.  
10 So, first of all, from the viewpoint of the  
11 New York Stock Exchange, they don't want to  
12 de-list people. I mean, they get fees for  
13 listing people. So, de-listing is not in  
14 their best interest.

15 But the second point is, even if a  
16 company is de-listed for some set of  
17 reasons, it simply trades over the counter.  
18 And there's a lot more companies trading  
19 over the counter than there is over the New  
20 York Stock Exchange.

21 Q. So if the ultimate decision -- or if the  
22 company just doesn't meet that threshold by  
23 their standards of capitalization and does  
24 not allow it to be listed, do you see an

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 adverse impact to the company as a result?

2 A. (By Mr. Hauser) I see the kind of  
3 reputational noise and the way it gets  
4 publicized. There's no direct financial  
5 impact of that.

6 Q. All right. Good. Thank you.

7 I'd like to ask you about the  
8 successful renegotiation you had of notes in  
9 late July, where you restructured some of  
10 those notes. As I read it, some of the --  
11 some of the interest required in that  
12 renegotiation calls for some of the payments  
13 to be at the 15-percent level rather than at  
14 an 13-1/8-percent interest level and that  
15 that's due in October, October 1st of this  
16 year, but that you have an option to  
17 capitalize that rather than pay it outright;  
18 is that correct?

19 A. (By Mr. Hauser) Let me -- could I just take  
20 a second and explain --

21 Q. Yes, please.

22 A. (By Mr. Hauser) -- how it works? Would that  
23 be helpful?

24 Q. Please.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 A. (By Mr. Hauser) Basically, the equation is  
2 you have to cover your interest expense  
3 2-1/2 times with your earnings before  
4 interest and taxes and depreciation.  
5 Interest expense, as it's defined in the  
6 agreement, is cash interest expense. So all  
7 we did was go to the bond holders and say,  
8 would you be willing to not take cash, but  
9 instead take a new debt interest for the  
10 period ending September 30. And they agreed  
11 to do that? And in return, that new debt  
12 instrument going forward would have a  
13 15-percent interest rate.

14 Q. Now, are we coming up against the same  
15 deadline? As of October 1st -- or  
16 September 30th, are we again at a point  
17 where there's renegotiation to occur or some  
18 other way that you forestall the paying out  
19 of cash?

20 A. (By Mr. Hauser) So that particular step we  
21 took is good through September 30th. That  
22 being said, we said in the SEC report, and  
23 we've said a lot of times, that the company  
24 is financially challenged and we have to

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 restructure our debt; either restructure it  
2 out of court or in court. And we're working  
3 very hard to figure out which of those  
4 options plays out.

5 CMSR. COEN: And that has to  
6 happen by October 1st? Is that what you're  
7 saying?

8 A. (By Mr. Hauser) No, I'm not saying that.  
9 The -- there's -- you have to check your  
10 covenants at September 30th. We are close  
11 at September 30th. So I don't know if we'll  
12 be in compliance with our covenants or not  
13 on September 30th. And that's what we've  
14 said in the 10-Q.

15 **BY CMSR. IGNATIUS (CONT'D):**

16 Q. And you've retained a financial advisor,  
17 Rothschild, to help develop a debt  
18 restructuring plan; is that correct?

19 A. (By Mr. Hauser) That's correct.

20 Q. Has the plan been finalized, or is that  
21 still being developed?

22 A. (By Mr. Hauser) The plan was submitted to  
23 the bond holders. So that plan was  
24 finalized.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Q. Oh, I'm sorry. So that's what led to the  
2 late July --

3 A. (By Mr. Hauser) That's correct.

4 Q. -- renegotiation. All right.

5 CMSR. IGNATIUS: I think  
6 Commissioner Below was going to take on some  
7 other issues as well having to do with  
8 investments and reorganization issues. Thank  
9 you.

10 CMSR. BELOW: Yes, thank you.

11 **EXAMINATION**

12 **BY CMSR. BELOW:**

13 Q. In your 10-Q, you added a risk factor that  
14 hadn't been indicated before. And I'll just  
15 read it. "If we are unable to consummate a  
16 successful restructuring of our notes, we  
17 will consider all other restructuring  
18 alternatives available to us, which may  
19 include a Chapter 11 proceeding. A chapter  
20 11 proceeding may result in a protracted  
21 process which could disrupt our business,  
22 divert the attention of our management from  
23 the operation of our business and the  
24 implementation of our business plan and may

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 ultimately be unsuccessful." And you went  
2 on and said that, If we're unable to  
3 consummate the restructuring plan we are  
4 developing which contemplates an  
5 out-of-court restructuring, any alternative  
6 restructuring plan we may pursue may include  
7 a Chapter 11 proceeding. And then you  
8 itemized a number of potential adverse  
9 impacts and concluded by noting that, The  
10 mere filing of a bankruptcy case, even one  
11 pursuant to a prearranged plan, would have  
12 an adverse effect on our business and  
13 operations.

14 In your opening remarks, you stated  
15 that, If we have to restructure our debt  
16 through Chapter 11, it's important to  
17 understand that our customers will not  
18 experience an interruption of service, nor  
19 will we slow our efforts to improve those  
20 areas where improvement is still needed.

21 Of course, we all understand here that  
22 a Chapter 11 means a reorganization while  
23 you continue to operate. However, I think,  
24 you know, some in the public hear

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 "bankruptcy" and they think of liquidation,  
2 what's known as Chapter 7. Could you  
3 explain, if it's your view, why a Chapter 7  
4 liquidation is not really plausible for your  
5 company as the operator of the public switch  
6 network in northern New England and other  
7 locations?

8 A. (By Mr. Hauser) The reason one might go into  
9 a Chapter 11 is the company has too much  
10 debt and you're unable to resolve it outside  
11 of court. So it's only a debt question.  
12 And if you go into Chapter 11 and there is a  
13 steady cash-flow stream of a company, which  
14 FairPoint has, then the new owners will  
15 effectively be the prior creditors -- in  
16 this case, the banks being the biggest  
17 creditors. So they are now going to be  
18 equity holders. They will get a lot more  
19 value out of their equity of an ongoing  
20 concern rather than going through Chapter 7  
21 and packing everything up and selling it.  
22 So it is not going to be in anybody's  
23 interest to go to Chapter 7. And so it's  
24 just not going to happen, I don't believe.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 I don't see any way it will happen.

2 With regard to the impact on the  
3 business, what we're referring to -- and  
4 keep in mind, by definition of the SEC  
5 rules, if you read the risk factors of any  
6 company, you'd probably never invest.  
7 But -- so it is a very pessimistic view of  
8 the world, by definition. But what I do  
9 believe will happen, I don't see you will  
10 have any impact if we were in Chapter 11 on  
11 the things I talked about in my speech:  
12 Jeff's ability to run the operation and  
13 Vicky's ability to keep moving the fixes  
14 forward. I think we would have an impact of  
15 it would be more difficult to sell our  
16 services to new customers. So that's what I  
17 meant when we were talking about an effect  
18 on the business.

19 Q. Have you been monitoring the Hawaiian  
20 Telecom Chapter 11 reorganization?

21 A. (By Mr. Hauser) Yes, I'm aware of it.

22 Q. Okay. One of the -- besides having too much  
23 debt as a reason to go into Chapter 11 --  
24 obviously, that's related to liquidity,

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1           having enough cash flow to pay those debts  
2           and other obligations -- one of the factors  
3           that's also disclosed in your SEC filings is  
4           the rate of line loss that occurred in the  
5           second quarter of this year, which if we  
6           take those number of 32,000 residential  
7           lines and 7900 business lines from the close  
8           of the first quarter to the close of the  
9           second quarter and annualize those rates,  
10          that would be a 17.7-percent residential  
11          line-loss rate and 9.3-percent business  
12          line-loss rate.

13                    Couple questions. Do you have a view  
14                    as to why the business -- residential line  
15                    loss is so much greater, or was for that  
16                    period than business? And do you see that  
17                    rate of line loss continuing or declining or  
18                    increasing?

19    A.    (By Mr. Hauser) I don't think I can project  
20           it from an SEC viewpoint. But from a  
21           viewpoint of running the operation, as we  
22           get better and better at delivering the  
23           product, we're going to see line loss slow.  
24           Especially you're going to see less line

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 loss on the business customers, and you're  
2 going to see increased DSL sales. And the  
3 next generation network will also be a very  
4 positive contributor. So I think the use of  
5 landline phones is going to continue to  
6 decline in this country. But I think there  
7 are some upsides in this business, too.

8 Q. And in that regard, an important part of  
9 that business plan that you expressed -- I  
10 think that was a lot of the reason why these  
11 Commissions approved the whole transfer in  
12 the first place -- was the public interest  
13 in expanding broadband investment. And I  
14 guess several questions in that regard.

15 FairPoint agreed to invest \$52 million  
16 a year in capital expenditures in New  
17 Hampshire as part of the approval; \$5  
18 million per year for broadband, and \$47  
19 million for network improvements. How much  
20 capital investment has FairPoint made in New  
21 Hampshire to date?

22 A. (By Mr. Nixon) I can get that in a second.  
23 We are -- we did meet our commitments for  
24 all three states for capital investment for

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 CapEx and for the broadband in total I can  
2 tell you. And I can share it with you later  
3 or I have got the numbers with me if you'd  
4 like to see them.

5 Q. You can do that later. We have not too much  
6 time left this afternoon.

7 A. (By Mr. Nixon) All right.

8 Q. In that regard -- well, what have -- what's  
9 the CapEx been expended on in general  
10 characterization? And in particular, has  
11 any of the CapEx investment commitment been  
12 used for system development paid to  
13 Capgemini?

14 A. (By Mr. Hauser) Well, a big piece of it has  
15 been spent on the next generation network.  
16 That's been a substantial investment. But  
17 there have been certainly a lot of costs to  
18 Capgemini, some of which was capitalized as  
19 system development and some of which was  
20 expensed as we've gone through.

21 Q. And in the next generation, that has to do  
22 with both telecommunication and broadband  
23 availability, DSL availability; is that  
24 correct?

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 A. (By Mr. Hauser) Yes.

2 Q. Both retail and wholesale, to some extent;  
3 is that true?

4 A. (By Mr. Hauser) Yes.

5 Q. Has FairPoint added any geographic areas for  
6 broadband coverage in New Hampshire and the  
7 other states since the closing?

8 A. (By Mr. Hauser) Yes. You got those  
9 statistics?

10 A. (By Mr. Nixon) Sure. So what I can tell you  
11 is that in Maine we have added markets for  
12 broadband coverage. And we've done the same  
13 in Vermont. In New Hampshire, where we've  
14 been focused primarily on deploying next  
15 generation network, the areas that we've  
16 expanded have been primarily where it's been  
17 what we call FAST, used to be FiOS. We've  
18 expanded the fiber to the home in certain  
19 communities in certain neighborhoods in  
20 Southern New Hampshire. So, while I would  
21 characterize it as the predominant  
22 deployment of broadband in New Hampshire  
23 from a consumer perspective will be done  
24 through next generation network, as it will

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 be eventually in Maine and Vermont, we've  
2 not opened up any broadband markets using  
3 the old technology, the ATM technology, if  
4 you will, in New Hampshire.

5 Q. Do you expect to meet the 75-percent  
6 availability commitment in New Hampshire by  
7 September 30th?

8 A. (By Mr. Nixon) We met with the Staff last  
9 week and advised them that, although we're  
10 pleased with our progress we're making in  
11 deploying next generation network in New  
12 Hampshire, that we will not be able to --  
13 that we will not make the October 1st or  
14 September 30th commitment, and we're working  
15 on it. Again, what we wanted to do is  
16 advise them as soon as we could of that  
17 outcome and that we'll be filing our report.  
18 And we will also be including the date by  
19 when and the track that will be when we will  
20 get there.

21 Q. So you don't have that date yet, but you'll  
22 be making that as part of a report --

23 A. (By Mr. Nixon) Absolutely.

24 Q. Okay.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 CMSR. BELOW: Why don't I pass  
2 along to the other two states at this point.

3 CHAIRMAN VOLZ: Thank you.

4 **EXAMINATION**

5 **BY CHAIRMAN VOLZ:**

6 Q. Just a few questions. Commissioner Ignatius  
7 asked you about the increased operating  
8 expenses subsequent to the cutover, and I  
9 just wanted to follow up on that for a  
10 minute.

11 Does FairPoint have any projection of  
12 when the expense will return to normal  
13 levels as forecast during the acquisition  
14 proceedings?

15 A. (By Mr. Hauser) We actually have laid out  
16 plans for expense reduction that will bring  
17 us back at the planned target and below the  
18 planned numbers, actually. And we are  
19 working on those as we speak. I think the  
20 counterpoint to that will be the importance  
21 of what Vicky is doing and whatever the cost  
22 of that ends up being. But I'm very  
23 confident if we looked at the year 2010 as a  
24 calendar year, we will be where we want to

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 be on the expense front.

2 Q. By the end of it?

3 A. (By Mr. Hauser) For the calendar year.

4 Q. For the calendar. Okay.

5 One area of potential cost savings that  
6 FairPoint has highlighted is outside  
7 contracts. Given the need to get back to  
8 business as usual, can you explain which  
9 outside services you believe are no longer  
10 necessary?

11 A. (By Mr. Hauser) I don't think we're going to  
12 go service by service. But we clearly have  
13 taken some services and we've in-sourced  
14 them. And we've taken some other services,  
15 and we learned things like -- and this was  
16 some of the employees' suggestions. There  
17 would be a middle man that we were  
18 contracting with that then was contracting  
19 with the actual person for snow removal, for  
20 example. And we figured that out from one  
21 of the employees' suggestions and cut out  
22 the middle man and go directly back to the  
23 person doing the snow removal. So, there  
24 are several cases of elimination of outside

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 contracts, whether it's a staffing question  
2 or whether it's services like the one I just  
3 mentioned.

4 Q. Okay. Based on the numbers reported in  
5 FairPoint's 10-Q filed with the SEC on  
6 August 5th of this year, FairPoint's  
7 interest coverage ratio fell to  
8 approximately 166 to 1. As of the end of  
9 the second quarter and prior to the  
10 consummation of the exchange offer with the  
11 bond holders, was this level of interest  
12 coverage in compliance with the interest  
13 coverage requirement contained in the credit  
14 agreement with FairPoint's bank creditors?

15 A. (By Mr. Hauser) Well, the reason we did the  
16 bond transaction that we discussed earlier  
17 was to make sure we would be in compliance.  
18 And so that's -- that is the set of math we  
19 went through before we did the bond to make  
20 sure we were in compliance.

21 Q. Okay. And so then you were -- because you  
22 did that, you were in compliance.

23 A. (By Mr. Hauser) Because we did that, we were  
24 in compliance.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Q. Has this decline raised any concern with  
2 FairPoint's senior bank creditors?

3 A. (By Mr. Hauser) We have been in discussions  
4 with all of our debt holders to try and  
5 determine the proper way to restructure some  
6 of the debt.

7 Q. Okay. And that's something you discussed  
8 with Commissioner Ignatius just a few  
9 minutes ago, that essentially something has  
10 to be worked out pretty soon.

11 A. (By Mr. Hauser) I think that's a fair way to  
12 put it. We're -- we either need to work it  
13 out of court or work it out in court.

14 Q. Based on the figures contained in  
15 FairPoint's 10-Q, and given the decline in  
16 cash flow, it appears that FairPoint's  
17 leverage ratio is well in excess of 5 to 1.  
18 Prior to consummation of the exchange offer,  
19 did this increase impact FairPoint's  
20 compliance with the minimum leverage  
21 requirement contained in the bank credit  
22 agreement?

23 A. (By Mr. Hauser) The leverage requirement is  
24 5-1/2 to 1. And so we are in compliance

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 with that at the end of the second quarter.  
2 And as I've said, at the end of the third  
3 quarter on both covenants, the 2-1/2 times  
4 interest coverage and the 5-1/2 leverage  
5 depth, we need to be in compliance on both  
6 of those on September 30th. And it's close.

7 Q. Okay. And so you're -- are you currently  
8 having discussions with your senior bank  
9 creditors?

10 A. (By Mr. Hauser) We're having discussions  
11 with all the debt holders.

12 Q. Okay. When you do -- when you were talking  
13 with Commissioner Ignatius about the  
14 de-listing in the New York Stock Exchange,  
15 have you projected the result in redemption  
16 cost in the event of de-listing?

17 A. (By Mr. Hauser) I don't -- I don't know what  
18 a redemption cost would be. In other words,  
19 there's no requirement. If you de-list, all  
20 that happens is the stock's traded over the  
21 counter. But there's no obligation on the  
22 company's part or anybody else's part to  
23 redeem the stock.

24 Q. Okay. Thank you.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 CHAIRMAN VOLZ: That's all I  
2 have. Thank you.

3 CHAIRMAN GETZ: Chairman  
4 Reishus.

5 **EXAMINATION**

6 **BY CHAIRMAN REISHUS:**

7 Q. My colleagues have covered almost everything  
8 I want to ask. Let me just cycle back to a  
9 couple things, make sure I understand.

10 You've stated here this  
11 afternoon, as well as in your 10-Q, and indeed on  
12 some earnings call earlier this year, that most  
13 of the cutover issues are behind you, and so that  
14 you could expect, I believe you said, that the  
15 incremental costs of the cutover expenses in the  
16 third quarter should be less than the second  
17 quarter.

18 A. (By Mr. Hauser) Right.

19 Q. But we do know that Ms. Weatherwax's plan to  
20 hire a vendor will happen sometime in the  
21 fourth quarter if all stays on track. So do  
22 you have an estimate of the planned  
23 expenditure? Any estimate of what your  
24 cutover expenses might be in the fourth

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 quarter?

2 A. (By Ms. Weatherwax) I do not.

3 Q. So that you have no budget in mind? None  
4 at all?

5 A. (By Mr. Hauser) Yeah, I don't think we can  
6 have a budget until we know what's involved,  
7 because I think if we just set an arbitrary  
8 number, then -- what we've got to do is  
9 figure out what work needs to be done and go  
10 do it. And I don't want set an arbitrary  
11 number in advance.

12 Q. So there's no maximum by which you would  
13 say, well, this is infeasible at this point.

14 A. (By Mr. Hauser) Well, I don't believe there  
15 is any maximum that you could spend in the  
16 fourth quarter that would logically occur.

17 Q. Fair enough. Also regarding -- Commissioner  
18 Below talked about the line losses. And  
19 that certainly has had an impact on your --  
20 I think particularly cash flow from  
21 operations has certainly been less. And  
22 indeed, your 10-K [sic] suggests that it was  
23 significantly off from the second quarter of  
24 '09 versus the second quarter of '08. But

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 given that you did then have had extensive  
2 marketing efforts this summer, do you have  
3 any expectations about what your cash flow  
4 might be for the third quarter?

5 A. (By Mr. Hauser) I can't comment on what the  
6 cash flow would be. But we are concerned  
7 with the increase in receivables that  
8 occurred in the second quarter. And  
9 obviously, our billing efforts are just now  
10 going on. So, our receivables are a  
11 challenge for us.

12 Q. Well, given that you're essentially at this  
13 point financing all your capital  
14 expenditures from ongoing cash from  
15 operations, do you have any sense of how  
16 that's going to play out for the third  
17 quarter? Are you going to be able to  
18 support the, on a going-forward basis,  
19 regardless of your debt covenant issues, the  
20 ability to finance your capital expenditures  
21 from your ongoing operations?

22 A. (By Mr. Hauser) Well, we have not done  
23 anything to cut back on our capital  
24 commitments. So, nothing's changed in the

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 third quarter with regard to that. And this  
2 is a, really, a coverage test issue is the  
3 big challenge.

4 Q. So your plans for capital expenditures  
5 regarding DSL deployment in Maine, for  
6 example, you have no plans to change that  
7 into the fourth quarter?

8 A. (By Mr. Hauser) Well, we have made -- yeah,  
9 we have made no plans to change that at this  
10 point.

11 Q. All right. Regarding the debt covenant, do  
12 you have a date by which after the third  
13 quarter ends that you plan to announce  
14 whether or not you have made or not made  
15 those covenants?

16 A. (By Mr. Hauser) Basically the certificate  
17 would get filed the 1st of November.

18 Q. First of November.

19 A. (By Mr. Hauser) I should say it's like the  
20 10-Q. It's early November. I shouldn't say  
21 specifically the 1st.

22 Q. All right.

23 CHAIRMAN REISHUS: Any  
24 questions, Commissioner Vafiades?

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

**EXAMINATION**

**BY CMSR. VAFIADES:**

Q. I believe that your share -- the directors suspended -- I'm sorry. I believe that the directors suspended the first-quarter dividend payment?

A. (By Mr. Hauser) That's correct.

Q. Did they suspend the second quarter as well?

A. (By Mr. Hauser) Yes. There has been no dividend paid.

Q. Paid out.

A. (By Mr. Hauser) Yeah.

Q. And do you know what the expectation is for the third quarter?

A. (By Mr. Hauser) Nothing has occurred to put the dividend back in place.

Q. So it's an indefinite suspension?

A. (By Mr. Hauser) I think that's a fair statement.

Q. Okay. Thank you.

CHAIRMAN REISHUS: No further questions.

**EXAMINATION**

**BY CHAIRMAN GETZ:**

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 Q. I have a couple of financial-related  
2 questions I'd like to follow up on. I think  
3 Commissioner Below headed down this path, at  
4 least somewhat.

5 But in your remarks this afternoon, you  
6 stated that, We are taking the necessary  
7 steps to put ourselves into more stable  
8 financial footing, including cutting costs,  
9 new revenue generation and restructuring of  
10 our debt. And you also stated that, We are  
11 considering all other restructuring  
12 alternatives available to us, which may  
13 include the commencement of an in-court  
14 resolution under Chapter 11 of the  
15 Bankruptcy Code, with or without plan of  
16 reorganization, and state that, If we have  
17 to restructure our debt through Chapter 11,  
18 it's important to understand that our  
19 customers will not experience an  
20 interruption of service. So I want to just  
21 make sure I understand what you're saying.

22 As I take what you've said today and  
23 what I've read from your -- the 10-Q you did  
24 back in August, that the intent or the hope

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 is, as a first measure, that there would be  
2 a voluntary, I guess what you're calling a  
3 restructuring plan, so that there would be  
4 an arrangement voluntarily between FairPoint  
5 and the banks and the debt holders. Is that  
6 an accurate reading on my part of what  
7 the -- your first instance of where you're  
8 heading.

9 A. (By Mr. Hauser) Certainly the first choice  
10 is to do it out of court, which would  
11 involve the bond holders more prominently  
12 than the banks.

13 Q. And if you're not able to do that, then you  
14 note that a reorganization under Chapter 11  
15 is a possibility. But it seems to me a very  
16 clear declaratory statement here, that if  
17 you have to go down the route of a  
18 reorganization, that customers in the three  
19 states will not experience an interruption  
20 of service. So I guess I want -- I'd like  
21 to know, whether it's from you or your  
22 counsel, what do you base that strong  
23 declarative statement on, and how confident  
24 are you that customers will not experience

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 an interruption in service?

2 A. (By Mr. Hauser) Well, I am very confident,  
3 and it's as a result of discussions with  
4 counsel. And again, the reason is, it is  
5 not in anybody's best interest, whether  
6 you're currently a creditor of FairPoint or  
7 whether you're currently a customer or  
8 anybody else that's tied to FairPoint. It's  
9 in nobody's interest for there to be a  
10 degradation of service. It's in everybody's  
11 interest for service to continue. And so  
12 the bankruptcy judge is simply not going to  
13 do anything that would cause service to  
14 degrade.

15 CHAIRMAN GETZ: Okay. Any  
16 other questions?

17 CMSR. BURKE: I have.

18 CHAIRMAN GETZ: Commissioner  
19 Burke.

20 **EXAMINATION**

21 **BY CMSR. BURKE:**

22 Q. As we go through these, you know, and we  
23 listen to the evidence, time and time again  
24 X-amount is confidential. So I'm going to

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 ask you this -- and your counsel's right  
2 there. If he says, no, no, although you  
3 talked to him about it, it was confidential  
4 when you did it -- can you give us the  
5 names? Can you give us those banks that are  
6 the primary holders of your debt?

7 A. (By Mr. Hauser) Well, the credit agreement  
8 is public, but the debt is certainly sold  
9 among constituents. So, Bank of America is  
10 the responsible bank, if you will. But  
11 there's a -- there's a variety of holders of  
12 the bank debt. And I don't think that's in  
13 the public domain. To my knowledge, it's  
14 not.

15 CMSR. BURKE: Thank you.

16 CHAIRMAN GETZ: Commissioner

17 Below.

18 **EXAMINATION**

19 **BY CMSR. BELOW:**

20 Q. And then another clarification on your  
21 comment that your customers will not  
22 experience an interruption of service should  
23 there be a Chapter 11 reorganization.  
24 You're referring to both -- are you

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 referring to both retail and wholesale  
2 customers in that statement?

3 A. (By Mr. Hauser) Yes, I am.

4 Q. And is it fair to say that large portions of  
5 your competitors, whether they be  
6 competitive local exchange carriers or cable  
7 companies like Comcast or wireless telephone  
8 service providers, a lot of their calls are  
9 actually switched through your network and  
10 transferred either to your end customers or  
11 to other wholesale customers through your  
12 switched network? Is that true?

13 A. (By Mr. Hauser) That's true.

14 CMSR. BELOW: Okay.

15 CHAIRMAN GETZ: Okay. Any  
16 other particular questions? Would  
17 Commissioner -- or Chairman Reishus or Chairman  
18 Volz like to make any kind of closing statement  
19 before we end today?

20 CHAIRMAN VOLZ: Just to thank  
21 you for coming and thank all the people here who  
22 attended this meeting. It was a long day, and I  
23 appreciate all the effort that was put into it  
24 and everyone's patience.

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 CHAIRMAN GETZ: And then I  
2 guess I would like to make one observation as we  
3 close. And, of course, we'll all take these  
4 issues under advisement in our own proceedings in  
5 our own states.

6 But in the introductory  
7 remarks today, Mr. Hauser, at one point you  
8 indicate that for each of the customers in the  
9 three states, the experience over the past few  
10 months has been a little different; for some it  
11 has been great, for others there have been  
12 issues. And I think that "issues" understates it  
13 and diminishes the impact that customers in the  
14 three states have had over the last seven months.  
15 And I think it would be much better for all  
16 concerned to be very direct about that issue.

17 And likewise, when you've  
18 mentioned, you know, the three priorities that  
19 you have as the new CEO -- and, of course, we all  
20 recognize that you've only been CEO since  
21 February [sic] -- but you indicated that you  
22 recognize that the company's made significant  
23 strides -- strides in improving the customer  
24 experience. Again, there may have been

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER|WEATHERWAX|ALLEN|NIXON]

1 significant strides, but we're still well short  
2 of where we all expected to be and where we all  
3 should be in terms of customer service for  
4 business and retail customers in the three  
5 states. And I would just ask that you,  
6 Mr. Hauser, and all of your senior management pay  
7 very close attention and take that issue  
8 seriously.

9           So I think we're prepared to close the  
10           hearing for today. But is there -- we'll  
11           give you an opportunity if there's any  
12           closing statement you would like to make,  
13           Mr. Hauser.

14                           MR. HAUSER: We very much  
15           appreciate the opportunity to be here. We  
16           appreciate the way it was organized. Obviously,  
17           that's valuable for our time as well as yours.  
18           And we are extremely committed to getting the  
19           service where it ought to be. We regret the  
20           problems that have occurred. And while we may  
21           disagree on where we are now exactly, we realize  
22           we got a long ways to go, and we're very  
23           committed to making it happen.

24                           CHAIRMAN GETZ: Okay. Then

{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

[WITNESS PANEL: HAUSER | WEATHERWAX | ALLEN | NIXON]

1 thank you very much. And we'll adjourn the  
2 hearing. Thank you, everyone.

3 MR. McHUGH: Thank you, Mr.  
4 Chairman.

5 (Hearing adjourned at 4:55 p.m.)

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{DT-07-011} [JOINT STATUS CONFERENCE] {09-09-09}

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