

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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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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,

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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?

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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

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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

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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

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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

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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

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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

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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

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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.

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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

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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

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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.

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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

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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,

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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.

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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

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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

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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.

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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.

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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

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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

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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

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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

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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

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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.

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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-

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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 --

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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

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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

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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.

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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.

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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

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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.

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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

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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

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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

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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

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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,

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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 --

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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

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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.

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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.

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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

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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

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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

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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

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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

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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

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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.

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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

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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?

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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

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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

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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.

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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

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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

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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

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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.

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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 --

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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

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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

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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

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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

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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

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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

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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?

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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

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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

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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

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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

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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 --

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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

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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

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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

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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

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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

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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

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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.

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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

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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

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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

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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?

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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

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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 --

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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

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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

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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

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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 --

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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.

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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

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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

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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

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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

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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,

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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.

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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

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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

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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,

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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

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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

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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.

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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

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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

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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

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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

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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 --

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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

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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

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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

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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

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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

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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.

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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

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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.

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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

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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

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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.

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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,

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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

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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

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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?

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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

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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.

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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

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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

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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.

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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

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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.

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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

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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

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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

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[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:

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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

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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

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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

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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

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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.

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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

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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

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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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