

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** September 20, 2011

**AT (OFFICE):** NHPUC

**FROM:** Jennifer Ducharme, Utility Analyst 

**SUBJECT:** DT 11-200, FairPoint Communications – NNE Tariff Revision  
Grandfathering the FairPoint Business Extra Rewards Plan

**TO:** Commissioners  
Debra Howland, Executive Director  
Kate Bailey, Director, Telecommunications

On September 9, 2011, Northern New England Telephone Operations LLC d/b/a FairPoint Communications – NNE (FairPoint) submitted a tariff filing to grandfather the FairPoint Business Extra Rewards plan in its NHPUC Tariff No. 1.

The proposed revision grandfathers the FairPoint Business Extra Rewards plan to existing customers. Under the FairPoint Business Extra Rewards plan, qualifying customers could receive bonus credits based on the amount of qualifying monthly charges that they incur. One bonus credit is awarded for every dollar of discounted qualifying charges and when applied as a direct bill credit, has a redemption value of one cent (up to a \$25.00 credit). Redemption choices, other than direct bill credits, are also available to customers.

When the FairPoint Business Extra Rewards plan was launched it was linked primarily to the FairPoint Business Link Optional Calling plan. This is an optional calling plan for business customers that provides per minute/per second discounts and volume discounts on qualifying toll usage. Later, the FairPoint Business Extra Rewards plan was expanded to provide rewards on total qualified spending rather than toll usage only. In most recent years, FairPoint has introduced a variety of packages that include unlimited toll calling, and many FairPoint customers have migrated to these packages, which are less costly and more economical. Without the billed usage component, customers do not accrue as many points and it takes much longer to reach the threshold for reward redemption. The purpose of the FairPoint Business Extra Rewards plan was to provide a credit reward to customers with higher monthly bills and incent them for staying with the company; FairPoint asserts that the rewards plan is no longer fulfilling its intended purpose.

FairPoint states that there are currently 6,078 customers enrolled in the FairPoint Business Extra Rewards plan in New Hampshire, yet only 1,325 New Hampshire customers have actively participated in the rewards plan in the last few months. The

rewards plan is less rewarding for the majority of customers as the low participation rate validates, and the cost of administering the rewards plan to FairPoint is still high at \$750,000, which no longer makes this an attractive or effective service offering.

FairPoint proposes to grandfather the FairPoint Business Extra Rewards plan for existing customers and allow them to continue to use the program and keep their existing point balances. The terms of the tariff will continue to apply to these existing customers. FairPoint proposes to no longer offer the FairPoint Business Extra Rewards plan to new customers.

Staff has reviewed the revisions to the tariff as submitted and finds them reasonable. The grandfathering of the rewards plan should have no adverse impact to existing customers. Staff recommends that this tariff filing be allowed to go into effect by operation of law as submitted.