

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DM 13-252

Northern New England Telephone Operations LLC
and
Enhanced Communications of Northern New England, Inc.
Objection to Public Utility Assessment

PREFILED TESTIMONY OF

KEVIN O'QUINN

**ON BEHALF OF NORTHERN NEW ENGLAND TELEPHONE OPERATIONS LLC
D/B/A FAIRPOINT COMMUNICATIONS-NNE
&
ENHANCED COMMUNICATIONS OF NORTHERN NEW ENGLAND INC.**

January 17, 2014

I. WITNESS BACKGROUND AND OVERVIEW

1 **Q1. Please state your name, position, and business address.**

2 **A1.** My name is Kevin O'Quinn. I am the Director of Regulatory Financial Reporting and
3 Taxes for Northern New England Telephone Operations LLC d/b/a FairPoint Communications-
4 NNE ("NNETO") and Enhanced Communications of Northern New England Inc. ("Enhanced,
5 and together with NNETO, collectively "FairPoint"). My business address is 770 Elm Street,
6 Manchester, New Hampshire.

7
8 **Q2. Please describe your experience in the telecommunications industry and your
9 educational background.**

10 **A2.** I joined FairPoint in 2008 after working for over 20 years for Verizon Communications
11 and its predecessor companies. At FairPoint, I am responsible for regulatory accounting
12 including the filing of financial reports with the Federal Communications Commission ("FCC")
13 and State regulatory agencies. Additionally, I am responsible for property and transaction tax
14 compliance for the former Verizon properties. Prior to joining FairPoint, I was Assistant
15 Controller/Director Regulatory and Affiliate Accounting at Verizon and was responsible for FCC
16 and State Commission financial reporting for all of the Verizon telephone entities, as well as
17 intercompany allocations. Prior positions at Verizon included Director-Regulatory Accounting
18 with increasing responsibilities resulting from the mergers of NYNEX, Bell Atlantic and GTE
19 into Verizon Communications and Director-Finance and Business Planning-NH. I also served as
20 Director-Corporate Accounting for New England Telephone ("NET") and was responsible for
21 the compilation of financial statements filed with state and federal regulatory bodies including
22 the Securities and Exchange Commission. Prior to joining NYNEX/NET, I worked for Coopers
23 and Lybrand (now Pricewaterhouse Coopers) in the audit group for approximately three years.
24 I graduated from the College of the Holy Cross with a Bachelor of Arts degree in Economics.
25 Additionally, I received a MS in Accounting and an MBA from the Graduate School of
26 Professional Accounting at Northeastern University. I am a Certified Public Accountant
27 registered in Massachusetts.

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Q3. Have you previously testified before the New Hampshire Public Utilities Commission (the "Commission")?

A3. Yes. I testified before the Commission most recently in Docket No. DT 11-248 related to the New Hampshire Municipal Property Tax surcharge.

Q4. What is the purpose of your testimony?

A4. On September 6, 2013, FairPoint" filed an objection to the New Hampshire Public Utility Assessment invoices received on August 21, 2012, for fiscal year 2013. Included in the objection, FairPoint stated that the 2013 assessment should not be based on total operating revenues but limited to intrastate revenues that have historically been regulated by the Commission. My testimony explains how FairPoint calculated the recommended revised assessment of \$403,229.

Q5. Please explain the calculation of the recommended assessment.

A5. Included as Exhibit A with the September 6, 2013 filing is the revenue section (rows 1010 through 1090) of the New Hampshire 2011 ARMIS 43-01 Report for NNETO. I have included this as Attachment KO-1 to my testimony. The ARMIS (Automated Reporting Management Information System) 43-01 Report is a required filing with the Federal Communication Commission ("FCC"). The report is based on FCC Part 32 accounting rules as well as cost allocation and jurisdictional separation rules that have been adopted by the NHPUC, presently in Administrative Rule Puc 414.01. While the complete report is available on the FCC website, I included only the revenue section of the ARMIS report as the Commission's assessment was based on revenues. Column (b) of the report titled "Total" lists the NNETO-New Hampshire total operating revenues. NNETO-New Hampshire revenues include not only intrastate revenues, but revenues for interstate and non-regulated services as well. Furthermore, NNETO-New Hampshire revenues include access charge revenue from Enhanced for use of the NNETO-New Hampshire network to provide both intrastate and interstate service to its customers. Below row 1090 is the Imputation of Directory Services Revenue, as agreed to in

1 Docket No. DT 07-011, the Transfer of Assets to FairPoint Communications, to arrive at "Total
2 Assessed Revenues" of \$296,612. This is the amount as filed on the NNETO-New Hampshire
3 Assessment Report (Commission Form ILEC-2) filed with the 2011 Annual Report
4 (Commission Form ILEC-3). The Assessment factor of \$0.00318 was derived by dividing the
5 2013 Fiscal Year Assessment amount of \$942,999 by the Total Assessed Revenue. Column (c)
6 of the attachment represents nonregulated revenues which, when subtracted from column (b),
7 results in column (f), revenues "Subject to Separation."¹ These separations are reflected in
8 Columns (g), "State" and (h), "Interstate" and represent revenues for services that historically
9 were regulated by the Commission and FCC respectively. State revenues include local, intrastate
10 toll and access services and a proportionate share of miscellaneous revenues whereas interstate
11 revenues include interstate access services and a proportionate share of miscellaneous revenues.
12 The calculation of the recommended assessment amount of \$403,229 was derived by applying
13 the assessment factor to the state regulated revenues in column (g).

14

15 **Q6. If the Commission endorsed the recommended assessment on intrastate revenues**
16 **would your calculation of the FairPoint assessment be precise?**

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18 **A6.** No. To the extent that FairPoint was no longer required to contribute to the funding of
19 the Office of Consumer Advocate and the amount of total revenues from all utilities in the state
20 (subject to the assessment) decreased then the assessment rate would logically change. While it
21 is not expected to be significant, a change to the assessment rate would have impact on the
22 estimated assessment. I am told by counsel that the determination of whether funding for the
23 Consumer Advocate should be or should not be apportioned to FairPoint is a legal issue and I am
24 expressing no opinion in this regard. I simply am pointing out here that how the issue is resolved
25 may impact the assessment calculation.

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27 **Q7. Does this conclude your testimony at this time?**

28 **A7.** Yes.

¹ Note that column (e) is intentionally omitted.