



STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DT 16-872

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

and

FAIRPOINT COMMUNICATIONS, INC.

Joint Petition for Findings in Furtherance of the
Acquisition of FairPoint Communications, Inc.
and its New Hampshire Operating Subsidiaries
by Consolidated Communications Holdings, Inc.

PREFILED REBUTTAL TESTIMONY OF

GABE WAGGONER

ON BEHALF OF

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

May 18, 2017

I. INTRODUCTION AND OVERVIEW OF REBUTTAL TESTIMONY

1 **Q. Please state your name and business address.**

2 **A.** My name is Gabe Waggoner. My business address is 211 Lincoln Street, Roseville,
3 California 95678.

4 **Q. By whom are you employed and what position do you hold?**

5 **A.** I am employed by Consolidated Communications, Inc. ("CCI"), a wholly owned
6 subsidiary of Consolidated Communications Holdings, Inc. ("Consolidated"). I hold the position
7 of Vice President of Operations.

8 **Q. Have you previously testified before the New Hampshire Public Utilities**
9 **Commission ("the Commission") or another state public utility commission?**

10 **A.** Yes. I submitted prefiled direct testimony in support of the Joint Petition in this docket
11 and testified before the Commission on April 27, 2017, which was the first day of hearings in
12 this docket.

13 **Q. What is the purpose of this rebuttal testimony?**

14 **A.** The purpose of my rebuttal testimony is to address several inaccurate assertions and
15 conclusions made by Commission Staff Witnesses John Antonuk and Dr. Charles King, as well
16 as Labor Intervenors'¹ Witness Steven W. Soule regarding Consolidated's review and knowledge
17 of the FairPoint network in New Hampshire. I also describe Consolidated's technical
18 capabilities, knowledge, and experience with successfully transitioning network and service
19 operations of acquired companies, and Staff Witnesses' criticism regarding the lack of a concrete

¹ "Labor Intervenors" in this docket are the Communications Workers of America ("CWA") Local 1400 and International Brotherhood of Electrical Workers ("IBEW") Locals 2320, 2326, and 2327, that form the IBEW System Council T-9.

1 plan for integrating FairPoint's systems with Consolidated's systems. Lastly, I demonstrate that
2 Consolidated possesses the technical capabilities of maintaining the obligations of an incumbent
3 local exchange carrier ("ILEC") in New Hampshire.

4 **II. CONSOLIDATED CONDUCTED SUBSTANTIAL DUE DILIGENCE OF THE**
5 **FAIRPOINT NEW HAMPSHIRE NETWORK.**
6

7 **Q. Prefiled testimony of Commission Staff Witnesses, Mr. Antonuk and Dr. King,**
8 **suggest that Consolidated has not fully investigated FairPoint's network in New**
9 **Hampshire, and prefiled testimony of Labor Intervenors' Witness, Mr. Randy Barber,**
10 **asserts that Consolidated does not appear to have any detailed understanding of**
11 **FairPoint's actual operations, other than as reflected in its financial analyses. Please**
12 **address these allegations and describe the process by which Consolidated reviewed and**
13 **analyzed FairPoint's New Hampshire network and operations.**

14 **A. Mr. Antonuk's and Dr. King's approach to evaluation of Consolidated's due diligence**
15 **efforts does not account for the fact that this transaction is fundamentally different than the 2007**
16 **Verizon sale of the northern New England assets to FairPoint. The difference is that**
17 **Consolidated is acquiring an established company, FairPoint, that has built a robust network over**
18 **which it currently provides service. Consolidated is also an established telecommunications**
19 **business with a long track record of growing organically and through acquisition with a strategy**
20 **centered on the deployment and expansion of broadband networks in support of three customer**
21 **groups: Consumer, Commercial and Carrier (wholesale). Consolidated has been successful with**
22 **this strategy because it seeks out transactions in which it can add value through its operating**
23 **experience and processes when applied to the target opportunity. Consolidated does not target**

1 standalone assets or piecemeal components of a company for acquisition because those types of
2 transactions require the buyer to create a new platform or system and then to perform a “cutover”
3 from the seller’s systems just to keep serving customers. That scenario is unattractive to
4 Consolidated because it forces additional risk upon the customer relationship and usually
5 involves a transition services agreement with the seller with imposed penalties and costs that are
6 out of the buyer’s control. Because the instant transaction is not one that requires Consolidated
7 to “cut over” any operating platforms to achieve its stated efficiencies, the bulk of the diligence
8 concerns raised by Mr. Antonuk and Dr. King do not apply here.

9 Consolidated diligently investigated the FairPoint New Hampshire network consistent
10 with its practices employed in its five (5) prior acquisitions and at the expected level of detail for
11 a pre-acquisition review. Through these prior reviews, Consolidated’s functional leadership,
12 which has remained consistent throughout, has honed the diligence process to identify multiple
13 leading indicators that would represent substantive material risk. This included formulating a
14 thorough understanding of network architecture and the underlying core network elements
15 including Transport, Aggregation and Core IP/MPLS² (Layers 1/2/3) levels of detail, for a
16 holistic view of network infrastructure and health. Our standard due diligence process also
17 includes extensive evaluation of staffing models in concert with service quality trends, and the
18 underlying service delivery process flows themselves. This even includes a comprehensive
19 review of the contractual language and obligations stipulated in every current collective
20 bargaining agreement with any applicable labor unions, which occurred in this case with a

² Internet Protocol/Multiprotocol Label Switching.

1 review of FairPoint’s collective bargaining agreements with the IBEW and CWA. This method
2 has proven very successful for multiple prior acquisitions.

3 In contrast, Mr. Antonuk and Dr. King rely on antiquated metrics such as “access line per
4 employee” to support their views that Consolidated performed insufficient due diligence
5 regarding FairPoint’s staffing levels.³ With broadband being deployed for over 16 years, video
6 services being offered by telecommunications companies for over 14 years, and Voice-Over-
7 Internet-Protocol (“VoIP”) replacing POTS⁴ lines for well over a decade, the industry views
8 “access line per employee” as an outdated and obsolete measurement that has become irrelevant
9 in a rapidly evolving industry. Likewise, Mr. Antonuk and Dr. King reference a lack of Percent
10 Network Blocking statistics on Trunk Group Utilization as an indication of insufficient
11 diligence.⁵ Once again, that is an outdated, older method of tracking not employed in today’s
12 networks. With access line erosion for traditional voice services, not only are there fewer TDM⁶
13 voice customers, the Minutes Of Use (“MOU”) have also declined significantly. Therefore,
14 existing trunk groups that were installed many years ago are more than sufficient to
15 accommodate the traditional voice usage of today. Accordingly, these questions are not relevant
16 inquiries regarding a telecommunications company transaction today.

17 Consolidated does monitor trunk groups for local and tandem switching, including
18 trunks-in-service, peg counts, busy hour, overflows and the calculations for projected trunk
19 utilization for peak load with no blocking. We believe that this monitoring provides far superior

³ Direct Testimony of John Antonuk and Dr. Charles King, p. 47.

⁴ Plain Old Telephone Service.

⁵ Direct Testimony of John Antonuk and Dr. Charles King, p. 48.

⁶ Time- division Multiplexing.

1 network information than “Percent Network Blocking” data. Thus, Mr. Antonuk’s and Dr.
2 King’s focus on this measurement that is no longer relevant in today’s networks is not indicative
3 of a lack of diligence; it instead illustrates an increasingly outdated perspective in a competitive,
4 rapidly evolving industry.

5 The same could be said for their criticism about the Company’s lack of trouble metrics
6 (i.e. average time to resolve systems troubles), which Mr. Antonuk and Dr. King found
7 “troubling.”⁷ Again, Consolidated disagrees that these metrics are useful and instead believes
8 that examining trouble reports from five years ago does not add substantive value in terms of
9 assessing current risk or health of the network.

10 Another improper due diligence claim by Mr. Antonuk and Dr. King is that the time
11 Consolidated spent in face-to-face meetings with FairPoint management during November 2015
12 and November 2016 “would have been better spent in the field, conducting physical
13 examinations of the equipment and facilities in FairPoint’s network and validating what
14 Consolidated personnel were being told by FairPoint.”⁸ Consolidated respectfully disagrees.
15 During its diligence reviews, Consolidated conducts a fairly high level of review to ascertain
16 material deficiencies that would necessitate large infusions of unplanned capital in order to
17 maintain or improve service quality or product offerings. As a practical and economic matter
18 this review must occur at a high level. Conducting visual inspection of thousands of miles of
19 cable in and of itself is neither feasible in a pre-acquisition setting, nor entirely informative. In
20 addition, it is naive to assume that visual inspections of dozens of small central office wire

⁷ Direct Testimony of John Antonuk and Dr. Charles King, p. 49.

⁸ Direct Testimony of John Antonuk and Dr. Charles King, p. 52.

1 distribution frames or terminal blocks are materially necessary or meaningful in any sizable
2 acquisition, particularly the acquisition of a publicly traded, regulated company such as
3 FairPoint.

4 Detailed review of network architecture diagrams, in depth interviews with functional
5 leadership to test and validate understandings and compatibility of network elements, and
6 random sample visual central office inspections to verify there is consistency in design,
7 deployment, and overall adherence to Bellcore standards in every inspection are far more
8 important and informative steps, and are exactly what Consolidated did in this case.

9 Consolidated has inspected several large and small central offices since the filing of its
10 Joint Petition and the time it responded to data requests, and has consistently found that FairPoint
11 utilizes Bellcore standards. Consolidated has also engaged in numerous subsequent diligence
12 exercises involving a much wider array of subject matter experts beyond the executive levels
13 since its initial due diligence activities, which is consistent with the schedules followed in
14 previous acquisitions. For example, on April 25 through April 27, 2017, Consolidated and
15 FairPoint held team meetings in Manchester, New Hampshire on various topics, including
16 network and architecture, network operations, service delivery and IT major projects, among
17 others.⁹ In any of these diligence exercises, had Consolidated found deviations from its prior
18 inspections or discussions, the Company would have insisted on substantially more visual
19 inspections. That has not been the case. Consolidated's emphasis remains on quality and
20 consistency of inspections as the better indicator of network design and health.

⁹ See Rebuttal Attachment GW-1 for these meeting agendas and participants.

1 During its review of the New Hampshire network in accordance with its past practices,
2 Consolidated did not find the types of material deficiencies that would signal substantive
3 material risk. That said, Consolidated absolutely understands that some level of ongoing
4 network maintenance and improvement is needed to improve service reliability or enhance
5 broadband capabilities, which is true with any legacy copper network, including those ongoing
6 efforts in other Consolidated markets, as well as in New Hampshire.

7 Consolidated is confident that it has sufficiently assessed FairPoint's Northern New
8 England network consistent with its pre-acquisition experience and practices. That confidence is
9 supported by the Federal Communications Commission's approval of the transaction, as well as
10 approvals by a number of state commissions. Beginning at closing, Consolidated is committed
11 to expanding broadband offerings and reducing customer pain points through process
12 improvements post-closing. Upon closing, the Company will also be focused on best practices
13 that include ongoing network maintenance and enhancement, consistent with normal network
14 evolution, and nothing that Consolidated has evaluated suggests that this will not be sufficient or
15 successful in the FairPoint markets.

16 **Q. Please describe some of the specific actions undertaken by Consolidated in**
17 **conducting its due diligence of FairPoint's New Hampshire network and operations.**

18 **A.** As indicated in my prefiled direct testimony, Consolidated spent a significant amount of
19 time with the engineering and operations leadership of FairPoint reviewing the New Hampshire
20 network. A comprehensive review of the network diagrams, equipment deployments, and last
21 mile deployments (Fiber/Copper) was conducted. The substantial volumes of data shared with
22 Consolidated was anything but superficial. While Mr. Antonuk and Dr. King criticize

1 Consolidated for its lack of written validation of these detailed reviews, their position fails to
2 recognize that Consolidated has not retained the documents which it inspected on site with
3 FairPoint or those it inspected under restrictions of confidentiality.

4 Consolidated evaluated the FairPoint Network Operations Centers, inspected the alarm
5 and event management platforms (MOOG¹⁰ for IP environment and NMA¹¹ for the legacy TDM)
6 as well as the processes and resources used to manage events. We also conducted spot facility
7 reviews and reviewed records and capital project plans as well as as-builts. A physical
8 inspection of portions of the network was conducted. In addition, an evaluation of network
9 design within the core and the last mile was conducted, as well as how FairPoint delivers and
10 supports the services within each of the northern New England States. The purpose of the
11 review was to understand the current capabilities and state of the deployed network. This
12 understanding led to the valuation of the network and provided insight and guidance as to how
13 Consolidated would adjust or enhance the management of the FairPoint network as it evolves
14 post-closing. Again, no changes need to be made at closing, as the FairPoint network currently
15 operates and will continue operating as it does today, at the close of the transaction – a critical
16 fact overlooked by Mr. Antonuk and Dr. King.

17 Evaluations of the revenue trends by state and major markets were performed and then
18 used in discussion with the engineering team to identify risk areas in need of potential
19 investment for broadband expansion. This is ongoing work and positions Consolidated to guide
20 investment post-closing in order to prioritize bandwidth speed improvements for customers.

¹⁰ Product provided by a company called Moogsoft.

¹¹ Network Monitoring and Analysis software.

1 Beyond the network, Consolidated also reviewed and analyzed the processes,
2 procedures, and personnel within FairPoint to determine how Consolidated will integrate these
3 into the combined company. Additional information regarding Consolidated's due diligence
4 regarding the FairPoint acquisition is contained in Mr. Shultz's prefiled rebuttal testimony. A
5 list of specific due diligence questions regarding FairPoint's network and service operations is
6 contained in a confidential attachment to Mr. Shultz's prefiled rebuttal testimony. *See*
7 Confidential Rebuttal Attachment MJS-1-A¹².

8 **III. CONSOLIDATED'S EXPERIENCE WITH SYSTEM INTEGRATION AND**
9 **PLANNING**

10 **Q. Please respond to the concerns expressed in the testimony of Mr. Antonuk and Dr.**
11 **King regarding Consolidated's lack of any detailed plans for FairPoint's network and**
12 **systems.**

13 **A.** Consolidated's initial goal is to provide a seamless transition for FairPoint's New
14 Hampshire retail and wholesale customers post-closing. Continuity for customers is a paramount
15 focus, and our initial plans place great emphasis on this. As I indicated previously, because
16 FairPoint is an independent operating company already servicing customers on systems which
17 will remain in place with the entity Consolidated is acquiring, there is no "cutover" necessary as
18 was experienced in the asset sale of the New Hampshire network from Verizon to FairPoint.
19 Accordingly, from a network perspective, FairPoint's New Hampshire retail and wholesale
20 customers will experience no changes at closing. Any future billing or operation support system
21 integrations will only occur when it is necessary for supporting new services. In view of the
22

¹² This document was provided to Staff and Labor Intervenors on May 15, 2017 as a supplemental response to Staff Data Request 1-80.

1 foregoing, detailed network integration planning at this juncture is unnecessary and, contrary to
2 the claims of Mr. Antonuk and Dr. King, the lack of such planning is not illustrative of
3 questionable managerial or technical capabilities. To the contrary, this transaction is proceeding
4 along a similar planning timeline used in prior acquisitions.

5 Post-closing, Consolidated will evaluate opportunities in New Hampshire for improving
6 operating efficiencies, expanding services and improving service quality by employing the
7 proven strategies it has used in its other markets. These strategies include a highly structured
8 process that places emphasis on thoughtful and diligent evaluations of consumer, commercial
9 and carrier service delivery processes and all functional areas, prioritizing planned changes into
10 phased integration stages, with a focus on implementing Consolidated's best practices for
11 improving customer service and experience, while minimizing customer disruption.
12 Consolidated has a history of refining, not recreating, network and service delivery processes,
13 and such refinements will occur post-closing.

14 As with previous acquisitions, and as indicated in my prefiled direct testimony,
15 Consolidated has established an Integration Management Office ("IMO") that monitors all
16 integration projects for every functional area, and holistically ensures that no transitional
17 initiatives adversely affect customer service delivery efforts, and that best-practices are being
18 leveraged for smooth, orderly transition. A chart listing Consolidated's near term integration
19 projects is attached as Highly Confidential Rebuttal Attachment GW-2.

20 This methodical approach to integration has historically proven very successful for
21 Consolidated, as we have sought to balance expedient, efficient transition with minimal
22 disruption to employees and customers. The process is typically an 18 to 24 month incremental

1 process, beginning with functions such as the enterprise resource planning (“ERP”) (financial)
2 system and the network inventory systems in order to set the stage for future roll out of product
3 enhancements. For example, Consolidated’s “Broadband Evolution Tool” and “Test Board”
4 applications allow service representatives to evaluate what bandwidth speed is available at a
5 customer premise by address and also allow technicians to receive a test report while being
6 dispatched on a trouble report. It is these types of service enhancements that set the long term
7 foundation for customer self-service, yet require collaborative planning post-closing with the
8 FairPoint team.

9 Consolidated will approach the New Hampshire network and the customer base it
10 supports as it does all networks within the Company by focusing on continued evolution to
11 support the next generation of services while diligently working to improve the customer
12 experience. Consolidated has developed multiple tools and automation resources to assist in the
13 deployment and support of services allowing for quality installation and first call resolution of
14 issues. We will be evaluating opportunities to integrate these tools and our experience and
15 knowledge after the close of the transaction. Consolidated also expects to bring additional
16 redundancy to critical parts of the network and to leverage our multi-state presence through
17 connecting the New Hampshire network to our existing Multi-State Mesh Network which brings
18 additional layers of redundancy for services and support.

19 **IV. CONSOLIDATED HAS THE TECHNICAL CAPABILITIES TO MAINTAIN**
20 **FAIRPOINT’S ILEC OBLIGATIONS IN NEW HAMPSHIRE**

21
22 **Q. Please address Labor Intervenors’ claims that Consolidated is unprepared to**
23 **acquire FairPoint.**

1 A. Despite its claims that Consolidated is unprepared to acquire FairPoint¹³, the Labor
2 Intervenors provide no evidence that Consolidated lacks the operational expertise or technical
3 capabilities to own and operate FairPoint's network, or that FairPoint's current obligations as an
4 incumbent local exchange carrier ("ILEC") will not be maintained by Consolidated. In fact,
5 there is ample evidence demonstrating that Consolidated has the technical capabilities to
6 maintain FairPoint's ILEC obligations in New Hampshire. Although they express concerns
7 about the instant transaction, even Mr. Antonuk and Dr. King do not question Consolidated's
8 general technical and managerial capability.¹⁴ Nor should they. Consolidated and its
9 predecessor entities have been in the telecommunications business for more than 120 years.
10 During those years, the Company has gained substantial operational experience and expertise in
11 urban, suburban, and rural areas, and many such areas possess multiple forms of competition.
12 For example, Consolidated's operating companies include ILECs like FairPoint which have local
13 access transport ("LATA") and interconnection requirements, as well as pole attachment and
14 primary tandem responsibilities. Consolidated is also a competitive local exchange carrier
15 ("CLEC") in both AT&T and Verizon operating areas, and is very familiar with wholesale
16 carrier obligations as both a buyer and supplier of wholesale carrier services.

17 Labor Intervenors have asserted that staffing levels at FairPoint cannot be adjusted
18 without affecting the quality of service.¹⁵ However, this claim fails to consider the rapid decline
19 in access lines across the northern New England markets, which in turn impacts headcount.
20 Labor Intervenors's staffing claims also fail to consider and make no reference to more

¹³ See Direct Testimony of Randy Barber, pp. 15-17.

¹⁴ Direct Testimony of John Antonuk and Dr. Charles King, p. 61.

¹⁵ See, e.g., Direct Testimony of Steven W. Soule, p. 35.

1 progressive approaches to creating staffing efficiencies such as: cross-training further amongst
2 job classifications; call center technology advancements; and utilization of home garaging to
3 improve technician routes. Their claims also ignore the fact that Consolidated's technician
4 productivity compares favorably to other companies in the industry with similar network and
5 customer density.

6 Consolidated's networks are robust and contain central offices similar to FairPoint's,
7 serving local wire centers for last mile connections to the end user. Consolidated has
8 interconnected all offices by fiber, and provides internet protocol ("IP") based core networks in
9 those locations, while operating an IP-based network over that same infrastructure.

10 Consolidated's networks are redundant and solid, and are supported by four geographically
11 diverse network operations centers. Overseeing these operations and networks is Consolidated's
12 management team, whose members have deep experience working with regional Bell operating
13 companies, ILECs as well as CLECs.

14 Importantly, Consolidated's expertise goes beyond operation of its own networks, and
15 includes the integration of five (5) newly acquired companies into the larger Consolidated fold
16 during the last thirteen years. For example, Consolidated's 2004 acquisition of TXU
17 Communications tripled the size of the Company. Consolidated's subsequent acquisition of
18 SureWest in 2012, including its ILECs and CLECs, nearly doubled the size of the company once
19 again. Consolidated has successfully engaged in substantial acquisitions and integrations
20 previously, and is therefore confident that its breadth of prior operational experience has
21 prepared the Company and its management team for acquiring FairPoint and, most importantly,

1 for operating FairPoint in a manner that assures that its current ILEC responsibilities will be
2 maintained in New Hampshire.

3 **V. CONCLUSION**

4 **Q. Do you have any further comments in response to the testimonies of Staff's and**
5 **Labor Intervenor's direct testimony?**

6 **A.** Yes. Consolidated's due diligence in this case is not an "academic" exercise. Our focus
7 has been on assessing the depth and skills of the operating team at FairPoint. In this process, we
8 have conducted repeated interviews of the team and made assessments of FairPoint's operations,
9 quality of facilities and the organization structured to operate the company post-closing. Most
10 immediate changes will occur at the FairPoint headquarters in Charlotte, North Carolina. Three
11 executives from Consolidated will move to northern New England, with two of them planned to
12 move to New Hampshire in July, assuming the transaction closes as scheduled in June. We will
13 then begin the employee meetings and finalize fast start initiatives built around Consolidated's
14 three customer group strategy for reducing customer pain and improving service.

15 Mr. Antonuk and Dr. King appear to be asking for a more detailed text book review of
16 our plans at this juncture, beyond what has already been provided. We believe this is
17 inappropriate, as those plans will be out of date by the time each of our initiatives is committed
18 to print and described in sufficient detail in documents. Instead, the more relevant inquiries
19 should focus on Consolidated's commitments regarding wholesale services and broadband
20 deployment – issues that Consolidated has addressed in settlements of other state regulatory
21 proceedings regarding this transaction. If Staff is interested in broadband expansion and the
22 economic development Consolidated has enabled in its other markets, we believe it would be

1 appropriate at this time to seek agreement on investment levels and protection of the wholesale

2 carrier obligations.

3 **Q. Does this conclude your prefiled rebuttal testimony?**

4 **A. Yes.**

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