Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of the Applications Filed by Consolidated Communications Holdings, Inc., and FairPoint Communications, Inc., for Authority Pursuant to Section 214 of the Communications Act of 1934, as Amended, to Transfer Indirect Control of Domestic and International Section 214 Authorization Holders to Consolidated Communications Holdings, Inc.	))))))))))	WC Docket No. 16-417

SUPPLEMENT

Consolidated Communications Holdings, Inc. ("Consolidated"), and FairPoint Communications, Inc. ("FairPoint") (collectively, "Applicants") submit this Supplement to the above-referenced Joint Application.

1. Service Quality Benefits of the Transaction

Following completion of the Transaction, Applicants will continue to strive to meet or exceed all service quality metrics established by state regulators. To support these efforts, Consolidated expects to roll out additional "self-help" tools within the first year after closing to allow customers to troubleshoot and resolve certain service issues. Consolidated's Technical Support and Field personnel are trained and equipped with access to advanced service restoration software. Consolidated utilizes geographically diverse and redundant Network Operations Centers that have robust network monitoring capabilities, and adheres to rigorous standards related to network maintenance and upgrades. Consolidated invests continually in training to ensure that service personnel are knowledgeable, placing additional emphasis on quality assurance programs to ensure training programs are relevant and effective with ever-changing technology.

The Application also states that after closing the proposed transaction the combined company "will leverage existing network locations to unify and connect the combined companies' disparate ILEC and CLEC networks into a single national network, connected together through 10 Gbps links" and that this linkage would enhance network survivability.[1] By linking the two networks together in this manner, the combined company will have multiple routing options to ensure network reliability. Although Applicants do not have any specific financial issues that would compromise their ability to maintain and improve network and customer service quality, they do expect that the combined company, using the best practices of each as well as having greater access to capital, will be better positioned to deliver high-quality services than either Applicant could do on its own.

Applicants plan to continue to meet FairPoint's CAF Phase II broadband support obligations. Further, FairPoint accepted a $36 million grant in New York and has committed $9 million in matching funds to extend broadband in areas not covered by CAF Phase II. Historically, Consolidated increases the percentage of homes passed in its territories by approximately 2% year over year. Consolidated hopes to continue such expansion in FairPoint territories. While Consolidated plans to meet its goal of providing at least 20 Mbps to 90 percent of broadband customers in FairPoint territories, it does not have a specific time frame to do so.

[1] Joint Application, Exhibit C at 8.

2. Financial Benefits of the Transaction

In the Public Interest Statement included in the Joint Application, Applicants stated that they estimated "approximately $55 million in merger related efficiencies."[2] The Applicants further expect to achieve those efficiencies primarily through reduced annual operating costs over the first two years following closing. These efficiencies include the elimination of duplicate systems and IT networks and reductions in headcount, primarily at the management level. These efficiencies further include annual savings over the first two years following closing from reducing vendor and other third party costs, including public company and professional services costs. The $55 million in estimated annual efficiencies do not include billing integration and other downstream efficiencies that are expected to occur in the longer term. The Public Interest statement further explained that the Applicants expected "at least $8 million annually in network access synergies."[3] This $8 million of network synergies is part of the $55 million in overall cost efficiencies. These amounts do not include savings resulting from the refinancing of FairPoint's debt, which will reduce the interest rate from approximately 8 percent to 4 percent and result in an additional $35 million annual reduction in interest payments. These savings will allow for more revenue to be used for additional capital expenditures.

Applicants note that the traditional local exchange telephone business faces numerous challenges, including cord-cutting and declining usage. The local telephone business is characterized by high fixed network costs, which are generally insensitive to the number of subscribers. Thus, decreasing line counts lead directly to higher per-customer costs. The financial savings resulting from the combination of Consolidated and FairPoint will allow the merged company to

---

2 *Id.*

3 *Id.*

continue offering services at reasonable prices on a more sustainable basis than either of the two companies could do separately.

3. All-or-Nothing Rule Waiver

There will be no unlawful cross-subsidization between Applicants' price cap and rate-of-return affiliates in the combined company. Applicants asked for a waiver of the Commission's "all or nothing rule" in Section 61.41(c)(2) of the Commission's rules,[4] consistent with the waivers each applicant received in the past.[5] The Applicants commit that they will continue to abide by the conditions imposed in the Commission's prior waiver orders not to engage in cost shifting between rate of return and price cap entities, and not to "game the system" by switching carriers from rate-of-return regulation to price cap regulation and back.[6]

Specifically, Consolidated agrees that it will continue to abide by FairPoint's prior commitment to "obtain prior Commission approval before seeking to elect price-cap regulation for its rate-of-return exchanges."[7] Further, Consolidated has no desire to engage in cost-shifting between its rate of return and price cap regulated carriers and will thus continue to abide by both companies' prior commitments that their rate-of-return regulated carriers and price cap carriers will each continue to remain separately "subject to the jurisdiction of the Commission and the

---

[4] 47 C.F.R. § 61.41(c)(2).

[5] Joint Application at 13-14, citing *Consolidated Communications Holdings, Inc. Petition for Waiver of Section 61.41(c) of the Commission's Rules*, Order, 30 FCC Rcd 10844 (Wireline Comp Bur. 2014) ("Consolidated Holdings Waiver Order"); *China Telephone Company, FairPoint Vermont, Inc., Maine Telephone Company, Northland Telephone Company of Maine, Inc., Sidney Telephone Company, and Standish Telephone Company Petition for Conversion to Price Cap Regulation and for Limited Waiver Relief*, 25 FCC Rcd 4824 (Wireline Comp Bur. 2010) ("*FairPoint Parent 2010 Waiver Order*").

[6] *Consolidated Holdings Waiver Order*, ¶ 9.

[7] See *FairPoint Parent 2010 Waiver Order*, 25 FCC Rcd at 4827 n.25 citing *Petition of FairPoint Communications, Inc. for Waiver of Sections 61.41(b) and (c) of the Commission's Rules*, Order, 23 FCC Rcd. 892, 895 ¶ 7 (Wireline Comp. Bur. 2008) ("*FairPoint 2008 Waiver Order*").

appropriate state commissions and … will maintain their own separate books of accounts, which would reveal any unlawful cost-shifting or gaming."[8]

Respectfully submitted,

/s/Karen Brinkmann
Karen Brinkmann
KAREN BRINKMANN, PLLC
1800 M St., NW
Suite 800-N
Washington, DC 20036
202-365-0325 (Tel)
KB@KarenBrinkmann.com

Counsel for FairPoint Communications, Inc.

/s/ Joshua M. Bobeck
Russell M. Blau
Joshua M. Bobeck
Brett P. Ferenchak
MORGAN, LEWIS & BOCKIUS LLP
1111 Pennsylvania Ave., N.W.
Washington, DC 20004
202-739-3000 (Tel)
202-739-3001 (Fax)
russell.blau@morganlewis.com
joshua.bobeck@morganlewis.com
brett.ferenchak@morganlewis.com

Counsel for Consolidated Communications Holdings, Inc.

Dated: March 22, 2017

8 *See Consolidated Holdings Waiver Order*, 30 FCC Rcd. at 10847 ¶ 9; see also *FairPoint 2008 Waiver Order*, 23 FCC Rcd at 895 ¶ 7 ("cost shifting is less of a concern here because the acquired lines will be in a separate subsidiary from the rate-of-return exchanges and 'state and federal tariff processes and the Commission's cost accounting rules should prevent cost shifting among study areas, or make it easily detectable by federal and state regulators, access customers, and competitors.'").