

Communications
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501 Third Street, N.W.
Washington, D.C. 20001-2797
202/434-1100



December 5, 2007

Ms. Marlene Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Dear Ms. Dortch:

RE: Ex Parte Notice. WC Docket No. 07-22. In the Matter of Application Filed for the Transfer of Certain Spectrum Licenses and Section 214 Authorizations in the States of Maine, New Hampshire and Vermont from Verizon Communications Inc. and its Subsidiaries to FairPoint Communications, Inc.

Attached is a copy of the Maine Hearing Examiner's Report that was filed with the Maine Public Utilities Commission. The Examiner issued the almost 300 page report after a comprehensive analysis of the thousands of pages of documents and testimony filed in the proceeding. Based on this analysis the Hearing Examiner recommended that the transaction as proposed be denied stating that it "subjects both ratepayers and shareholders to substantial risks and harms that are not outweighed by any of the potential benefits of the transaction."

The Hearing Examiner continued: "In the event that the Commission disagrees with our overall assessment, we include in this Report our recommendations regarding potential conditions the Commission could impose on the Joint Applicants that may ameliorate the risks and harms to ratepayers and shareholders that we discuss throughout this Report."

However, the Hearing Examiner was even skeptical about such conditions asking the following question: "does there exist *any* combination of conditions which would adequately insulate Maine ratepayers from a transaction that transfers the majority of the State's public switched telephone network from a utility with solid investment-grade credit ratings to a utility that is expected to fall within the speculative-grade rating category?"

The Hearing Examiner recommended 47 conditions that could help lower the risk to ratepayers, if the commission decided to approve the sale including the following:

- Renegotiate the terms of the agreement, resulting in a \$600 million reduction in FairPoint's debt.
- Reduce FairPoint's dividend by 30 percent annually.
- Require FairPoint to increase its investment in high-speed Internet expansion to \$28 million from \$17.55 million, and focus additional investment in unserved, rural areas.
- Require Verizon to grant FairPoint permission to hire former Verizon workers without a waiting period.
- Require FairPoint to meet stronger quality standards for service with higher penalties.
- If the commission does not accept recommendations to reduce the sale price by \$600 million, require Verizon to place money in an escrow account to cover the cost of needed technical upgrades.

The Maine Hearing Examiner thus has joined the staff of the New Hampshire Public Utilities Commission, the New Hampshire Consumer Advocate, the Vermont Department of Public Service, and the Maine Public Advocate in recommending that the sale as proposed be denied or, in the alternative, approved only with significant and extensive conditions. **Not one of these agencies recommended that the sale be approved as proposed.**

Sincerely,



Kenneth R. Peres, PhD.
Research Economist
Research and Development Department
Communications Workers of America

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